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100th Congress, 1st Session

H. Rept. No. 100-433 S. Rept. No. 100-216

Report of the Congressional Committees Investigating the

Iran-Contra Affair

Appendix B: Volume 24
Depositions

Lee H. Hamilton, *Chairman*,
House Select Committee
Daniel K. Inouye, *Chairman*,
Senate Select Committee

U.S. House of Representatives
Select Committee to Investigate
Covert Arms Transactions with Iran

U.S. Senate Select Committee
On Secret Military Assistance to Iran
And the Nicaraguan Opposition

November 13, 1987.—Committed to the Committee of the Whole House
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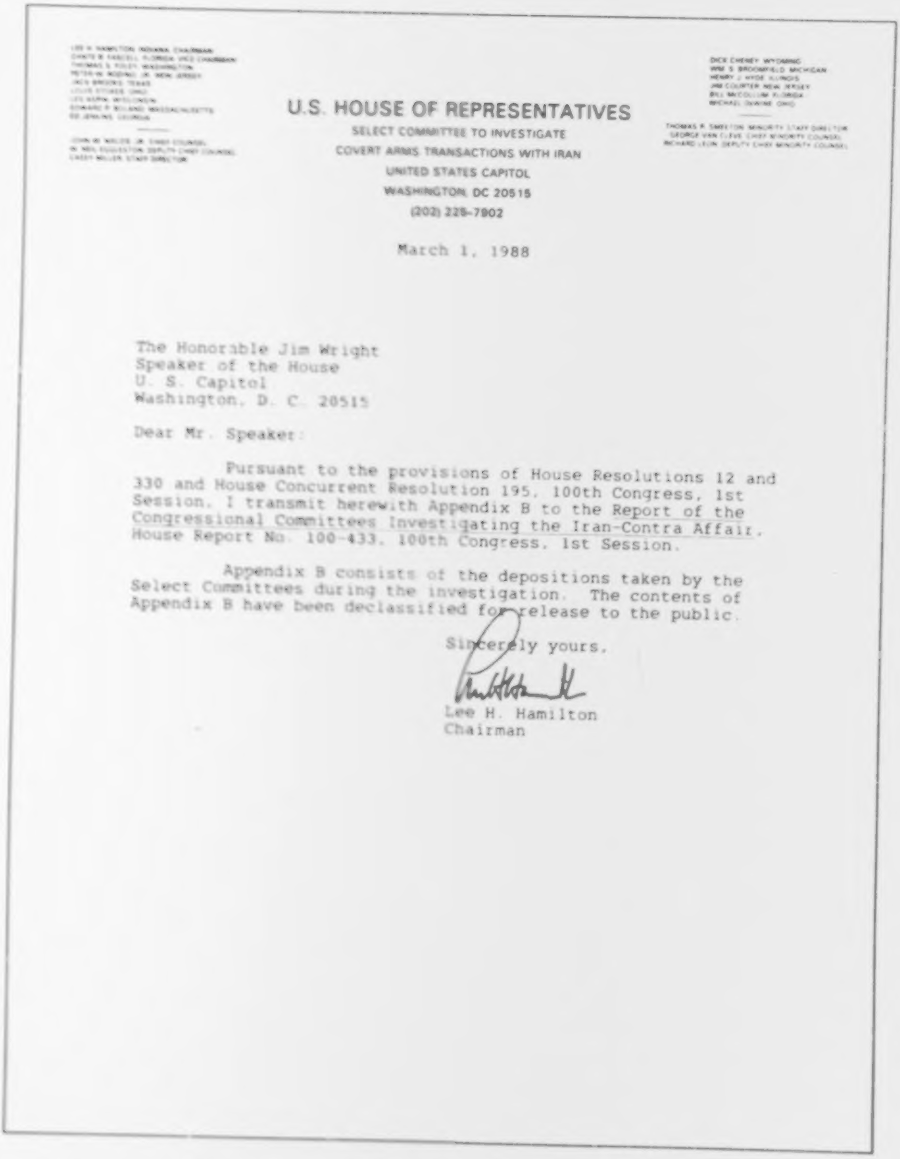

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March 1, 1988

The Honorable Jim Wright
Speaker of the House
U. S. Capitol
Washington, D. C. 20515

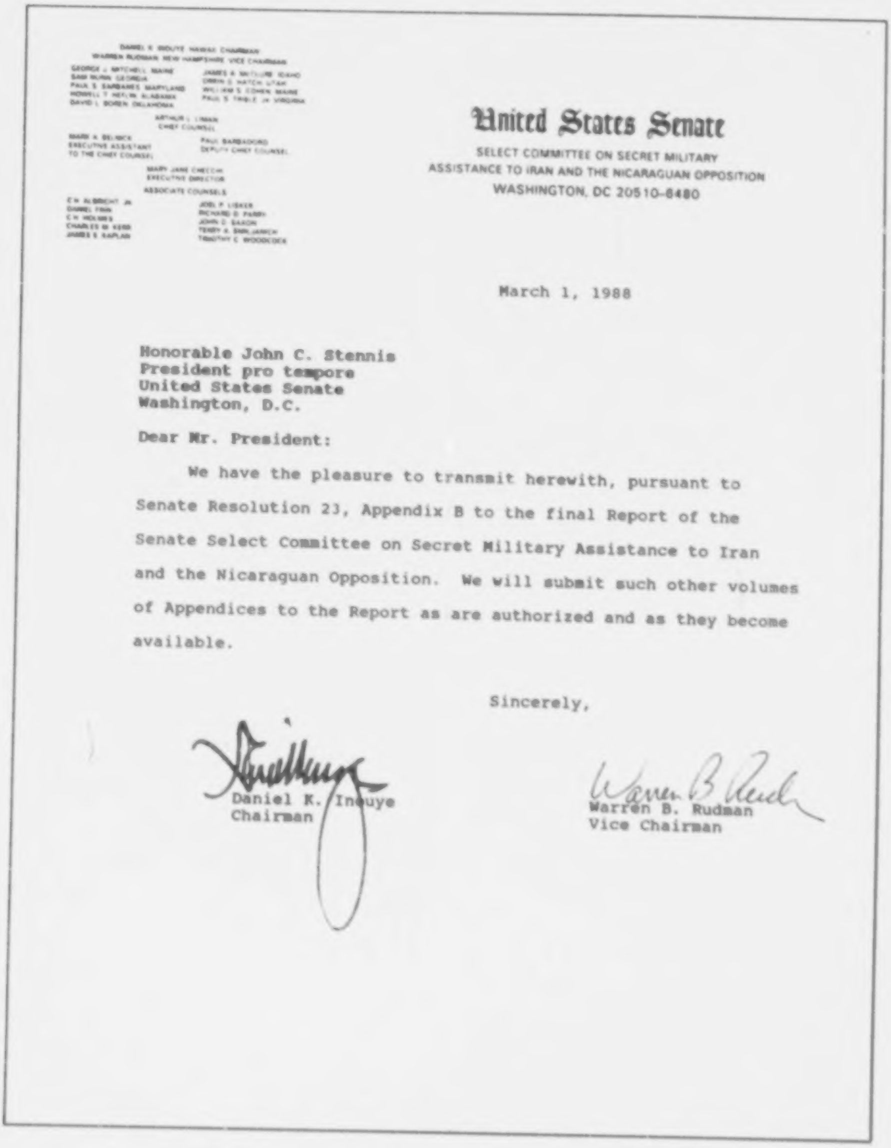
Dear Mr. Speaker:

Pursuant to the provisions of House Resolutions 12 and 330 and House Concurrent Resolution 195, 100th Congress, 1st Session, I transmit herewith Appendix B to the *Report of the Congressional Committees Investigating the Iran-Contra Affair*, House Report No. 100-433, 100th Congress, 1st Session.

Appendix B consists of the depositions taken by the Select Committees during the investigation. The contents of Appendix B have been declassified for release to the public.

Sincerely yours,

Lee H. Hamilton
Chairman



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United States Senate
SELECT COMMITTEE ON SECRET MILITARY
ASSISTANCE TO IRAN AND THE NICARAGUAN OPPOSITION
WASHINGTON, DC 20510-6480

March 1, 1988

Honorable John C. Stennis
President pro tempore
United States Senate
Washington, D.C.

Dear Mr. President:

We have the pleasure to transmit herewith, pursuant to Senate Resolution 23, Appendix B to the final Report of the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition. We will submit such other volumes of Appendices to the Report as are authorized and as they become available.

Sincerely,

Daniel K. Inouye
Chairman

Warren B. Rudman
Warren B. Rudman
Vice Chairman

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Preface

The House Select Committee to Investigate Covert Arms Transactions with Iran and the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition, under authority contained in the resolutions establishing them (H. Res. 12 and S. Res. 23, respectively), deposed approximately 290 individuals over the course of their 10-month joint investigation.

The use of depositions enabled the Select Committees to take sworn responses to specific interrogatories, and thereby to obtain information under oath for the written record and develop lines of inquiry for the public hearings.

Select Committees Members and staff counsel, including House minority counsel, determined who would be deposed, then sought subpoenas from the Chairmen of the Select Committees, when appropriate, to compel the individuals to appear in nonpublic sessions for questioning under oath. Many deponents received separate subpoenas ordering them to produce certain written documents.

Members and staff traveled throughout the United States and abroad to meet with deponents. All depositions were stenographically reported or tape-recorded and later transcribed and duly authenticated. Deponents had the right to review their statements after transcription and to suggest factual and technical corrections to the Select Committees.

At the depositions, deponents could assert their fifth amendment privilege to avoid self-incrimination by refusing to answer specific questions. They were also entitled to legal representation. Most Federal Government deponents were represented by lawyers from their agency; the majority of private individuals retained their own counsel.

The Select Committees, after obtaining the requisite court orders, granted limited or "use" immunity to about 20 deponents. Such immunity means that, while a deposed individual could no longer invoke the fifth amendment to avoid answering a question, his or her compelled responses—or leads or collateral evidence based on those responses—could not be used in any subsequent criminal prosecution of that individual, except a prosecution for perjury, giving a false statement, or otherwise failing to comply with the court order.

An executive branch Declassification Committee, located in the White House, assisted the Committee by reviewing each page of deposition transcript and some exhibits and identifying classified matter relating to national security. Some depositions were not reviewed or could not be declassified for security reasons.

In addition, members of the House Select Committee staff corrected obvious typographical errors by hand and deleted personal and proprietary information not considered germane to the investigation.

In these *Depositions* volumes, some of the deposition transcripts are followed by exhibits. The exhibits—documentary evidence—were developed by Select Committees' staff in the course of the Select Committees' investigation or were provided by the deponent in response to a subpoena. In some cases, where the number of exhibits was very large, the House Select Committee staff chose for inclusion in the *Depositions* volumes selected documents. All of the original exhibits are stored with the rest of the Select Committees' documents with the National Archives and Records Administration and are available for public inspection subject to the respective rules of the House and Senate.

The 27 volumes of the *Depositions* appendix, totalling more than 30,000 pages, consist of photocopies of declassified, hand-corrected typewritten transcripts and declassified exhibits. Deponents appear in alphabetical order.

Publications of the House and Senate Select Committees

Report of the Congressional Committees Investigating the Iran-Contra Affair, 1 volume, 1987.

Appendix A: *Source Documents,* 2 volumes, 1988.
Appendix B: *Depositions,* 27 volumes, 1988.
Appendix C: *Chronology of Events,* 1 volume, 1988.

All publications of the Select Committees are available from the U.S. Government Printing Office.

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TRANSCRIPT OF PROCEEDINGS

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UNITED STATES SENATE

SELECT COMMITTEE ON
SECRET MILITARY ASSISTANCE TO
IRAN AND THE NICARAGUAN OPPOSITION

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DEPOSITION OF JOHN J. RUGG

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Washington, D. C.

Wednesday, May 13, 1987

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UNITED STATES SENATE

SELECT COMMITTEE ON
SECRET MILITARY ASSISTANCE TO
IRAN AND THE NICARAGUAN OPPOSITION

DEPOSITION OF JOHN J. RUGG

Washington, D. C.
Wednesday, May 13, 1987

Deposition of JOHN J. RUGG, called for examination pursuant to notice of deposition, at the offices of the Senate Select Committee, Suite 901, Hart Senate Office Building, at 10:30 a.m. before WENDY S. COX, a Notary Public within and for the Disitrct of Columbia, when were present:

TIMOTHY WOODCOCK, ESQ.
Associate Counsel
United States Senate Select
Committee on Secret Military
Assistance to Iran and The
Nicaraguan Opposiition

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P R O C E E D I N G S

Whereupon,

JOHN J. RUGG

was called as a witness and, having first been duly sworn, was examined and testified as follows:

EXAMINATION

BY MR. WOODCOCK:

Q Mr. Rugg, why don't we begin by having you state your name and spell your last name for the record, please.

A John J. Rugg, R-u-g-g.

Q Mr. Rugg, what is your date of birth?

A April 6, 1935.

Q Could you, if you would, just give us a brief background on your education and professional life?

A Well, professional life, I was a policeman -- first, okay, I was in the Vermont National Guard, I was on the local sheriff's department, I was a deputy; then I was on the city police in St. Albans, Vermont. Then I was chief of police in Vergennes, Vermont.

Q V-e-r --

A g-e-n-n-e-s. Then I went back to St. Albans on the police department and started working part-time for

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Century Arms as a gunsmith.

Q About when would that have been?

A '60s, early '60s. In approximately '62 or '63 I went to work for them full-time.

Q When you first went to work for Century Arms, who was the owner and president of Century Arms?

A The owner at the time was Mr. William Sucher. Mr. Weigensberg was president, but the real owner was Sucher.

Q That's Emanuel Weigensberg; is that correct?

A Right. He is brother-in-law to William Sucher. His wife and Mrs. Sucher are sisters.

Q Did you at some point become a full-time employee of Century Arms?

A In the early '60s, well, middle '60s, I became full-time. Then I took over as manager, I forget, around 1970 -- '69, '68, '69. '69.

Q Now, when you took over as manager, what were your duties with Century Arms?

A I run the St. Albans operation. They import the material into bonded warehouses, U.S. Customs warehouses. Then we remove them and sell them to Woolworth stores, K-Mart stores, things like that, and dealers all over the United States.

Q Did you have any inspection duties with respect to these duties?

A Pardon me?

Q Did you have any inspection duties with respect to these materials?

A Most definitely.

Q What did that consist of?

A Identifying them, sorting them, making sure you get a good rifle, you are getting a good rifle. If you are buying obsolete material, it's usually broken, unsafe to use.

Q How long did you remain in this management position?

A Until April 10 of this year.

Q Until April 10 of this year, 1987?

A Yes, sir. I also traveled for them in the last, about 12 years, 13 years, I have been traveling for them, involved in the purchasing from different countries of all the material.

Q What was the headquarters of Century Arms?

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A United States division was St. Albans, Vermont. It's a Vermont corporation. In Canada, I was manager of that. Canadian operation is separate. It was Century Arms Limited, Century International Arms. Mr. Weigensberg, he was president of both.

Q So there was Century Arms, Incorporated, is an American --

A Is an American company, yes. Now it's called CIA now, Century International Arms.

Q Then there are two, I gather, Canadian divisions of this, or Century Arms Limited and Century International?

A Limited, right. There is also -- I guess Crown is closed off, used to be an equipment outfit or corporation.

Q Crown Equipment was associated with the arms field?

A No, that was in machines, business machines, typewriters.

Q And also a Canadian company?

A All located at the same address.

Q Now, did there come a point when Mr. Weigensberg left Century Arms?

A Yes, about approximately two years ago, 2-1/2

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years ago, something around that time. He was bought out by them as president. In other words, he owns no shares of Century International now.

Q Up to that point, he did have a percentage of the Century International?

A Yes.

MR. WOODCOCK: Let me stop just a minute.

(Discussion off the record.)

BY MR. WOODCOCK:

Q I think where we stopped was you were describing about two years ago, Weigensberg left Century International?

A No, he was bought out, in other words.

Q Okay, he was bought out. Now, after Mr. Weigensberg's interest was purchased by the Sucher family, I gather --

A Yes.

Q What did he do?

A He stayed on, probably advising them at the time, you know, working with them at the time.

Q Did there come a point where he set up another corporation involved in arms deals?

A Yes.

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Q When was that?

A Date, I cannot tell you.

Q Approximate?

A It must have been within six months to a year after. Had to have been for that time. All of a sudden he came up with this new name, TWA.

Q TWA stands for what?

A Trans World Arms.

Q To your knowledge, is Trans World Arms involved in anything other than arms?

A Other than arms, no.

Q Are there any subsidiary companies associated with Trans World Arms, to your knowledge?

A I have no idea.

Q Do you know whether there is any relationship between Century Arms and Trans World Arms?

A The only connection would be their telex was used, their office was used, telephones used.

Q When you say "their," who are you referring to?

A Century International Arms. They are all in the same building.

Q Let me make sure I understand this. What you are saying is that TWA and Century International are in the same building; is that right?

A Yes, they share -- well, Mr. Weigensberg's office is still where it always was when he was president of Century Arms.

Q Therefore, TWA has access to telexes and other equipment of Century International?

A Yes, correct.

Q Now, Mr. Rugg, let me direct your attention, if I might, to an arms transaction that developed in the early part of 1985, late part of 1984. Are you familiar with an effort by TWA to purchase arms [redacted] [redacted] during that period?

A Yes.

Q How are you familiar with that?

A I was on a trip [redacted] to purchase small arms, old pistols and rifles, things like that. It was brought up, questions were asked of people at that time [redacted] [redacted] about the possibility of buying SAM-7s, the prices, 7.62 --

MR. WOODCOCK: Off the record.

(Discussion off the record.)

THE WITNESS: 7.62, ammunition.

BY MR. WOODCOCK:

Q All right, now, who is it that is giving you this information?

A This was the manager at the time of [redacted]

Q That was who?

A [redacted] I guess, I can't pronounce it. All spelled the same way, [redacted] I think, I am not positive. They all came out with the same name, [redacted] and -- never mind.

Q You were receiving this information on the weapons order from [redacted] is that correct?

A Just the prices, prices, and work -- where they could ship it to.

Q That is [redacted]?

A Yes, [redacted] What were they end users for.

Q Who was inquiring of [redacted] about this information, was it you?

A Mr. Sucher.

Q That is Mr. Michael Sucher; is that correct?

A Michael Sucher, right.

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Q On whose behalf is he inquiring, do you know?

A Mr. Weigensberg, TWA.

Q All right, now, at this time, did you receive any information from Mr. Sucher or [redacted] as to who it was Mr. Weigensberg was placing this order for?

A No name was mentioned.

Q Not at that time --

A No.

Q -- is that correct? Did you later learn of a name that was associated with this arms transaction?

A Not for sometime after. It was probably about the time that I gave the report that Secord's name popped up in that spring, spring of '85, March of '85. His name started to appear.

Q That is Richard Secord; is that correct?

A They called him Dick Secord.

Q You knew the name as S-e-c-o-r; is that correct?

A No, S-e-c-o-r-d.

Q You knew it had a "d" on there?

A Yes.

Q Now, did at any point you learn from either Mr. Sucher or others where this ammunition was intended to

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go?

A I found out later, much about the same time, about March, that it was going to [redacted] They finally got end users in [redacted].

Q Let me back up a minute. Do you recall from whom it was where you learned these arms were going?

A It was rumor in the company.

Q Is that also true of the name of Mr. Secord? Was that a rumor within the company or did somebody tell you?

A No, that was -- calls were made to Secord, Weigensberg would come down to St. Albans, he would make calls from my office or Secord would call him at different times.

Q How did you know he was calling Secord?

A He told me.

Q That is, Mr. Weigensberg told you?

A Right.

Q Did you receive any information from Mr. Weigensberg as to whether Secord was ever in the U.S. armed forces?

A No.

Q Did you have an understanding as to whether he had ever been in the Army or the Air Force?

A I learned after they called him -- he was an Air Force general.

Q Where did you learn that from?

A I can't remember how I found out.

Q Did you have an understanding as to whether Secord had any affiliation with the CIA or any other U.S. government agency at the time?

A This never came out, this is [illegible] it was supposed to have been. Mr. Weigensberg said he was working with the big people in Washington.

Q That is he or Secord was or both?

A But he was working with the people in Washington. He met Secord through Mr. Thomas Green.

Q Thomas Green is an attorney for TWA?

A Well, he was also an attorney for Mr. Weigensberg back when he owned Century in a customs case we had here in Washington. He was hired to be the lawyer for us at that time. That's how Mr. Weigensberg got to know Green.

Q I see. Did you ever hear from Mr. Weigensberg how it was that he came to know General Secord?

A Through Tom Green.

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Q Did he tell you when that introduction occurred?

A No. I know he made a trip down here to meet him, apparently, in Washington. Meet somebody in Washington. I don't know who. Big secret, according to them.

Q Do you remember when that would have been?

A Can't offhand. He was down here once last year to see him.

Q In 1986?

A Yes.

Q Had he visited Washington before March of '85?

A Yes.

Q Is that what you were referring to earlier?

A Yes, earlier.

Q He said perhaps he thought he was introduced to Mr. Secord.

A Earlier.

Q Earlier?

A Oh, definitely. He was down here -- he flew down directly from Montreal, but I knew of him, where he was.

Q Now, did you receive any information on whether there was a problem in this effort to acquire arms [redacted] [redacted] regarding end user certificates?

A Yes, because they were -- at that time, they were asked whether they would accept the end users from.

Q At that time you are talking about [redacted]?

A Yes, [redacted], well, they said it would be all right, then it wouldn't be all right. Then they didn't want to ship to Central American countries. They didn't want to get involved there whatsoever. Then we spoke of [redacted] for end users, then they spoke of [redacted] for end users.

Q This is [redacted] all the time, right?

A Yes. [redacted] were going crazy by that time, they didn't know what the hell was going on. Excuse that. Then they finally accepted [redacted].

Q Where were you while you were going through these gymnastics?

A I was there.

Q This is taking us back to 1984?

A Right. Finally [redacted] was accepted after. We did that by telex apparently.

Q You have shown me your passport showing that you were stamped into [redacted] in late November of '86 and stayed there until December 6, 1984; is that correct?

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A Yes, it is.

Q It would have been during that period when you would have heard this conversation; is that right?

A Right, meeting the people from [redacted].

Q That would include [redacted] is that correct?

A Correct.

Q I gather then that it was your understanding that ultimately the [redacted] people, ended up agreeing that they would --

A Accept.

Q Accept [redacted] end user certificates?

A Apparently.

Q Do you recall any delay in the actual shipment of those materials that Mr. Weigensberg was trying to acquire?

A Yes.

Q What do you recall about that?

A Well, he was -- they were on his back getting delivery, the Secord people, and he was trying to get moving, and letter of credits, according to the banks, weren't right [redacted]. Then the shipment couldn't get there to the piers, and it took quite a while.

Q Do you have any idea when these arms might have

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arrived?

A No.

Q Or might have been shipped?

A (Witness nodded head.)

Q Now, Mr. Rugg, do you recall a shipment of arms coming into [redacted] by air, possibly in late January, '85?

A I don't.

Q You don't?

A That might have been [redacted].

Q Why don't we take a moment and talk about that.

A One thing I want to bring up to you.

Q Yes.

A In the Soldier of Fortune magazine, the crackpot magazine, I call it --

MR. WOODCOCK: Off the record.

(Discussion off the record.)

BY MR. WOODCOCK:

Q I will ask you to recount that story. From there we will go to -- I want to ask you questions about the Bahamas and Cayman Islands.

Mr. Rugg, do you recall hearing a story from an associate in the arms industry about a photograph appearing in Soldier of Fortune magazine?

A Yes.

Q What do you recall about that?

A It was an issue last summer, came out last summer, comes out once a month or two months, whatever it may be. In there was a story about the Contras, the problems and their squabbling down there. In there was a picture of a soldier putting his boot on, stuck in a case of ammunition, empty case of ammunition [redacted]

Q How do you know that?

A Because of the color of case, type of case it was, it was small arms ammunitions case, 7.62 millimeter ammo case. On the side of the case was printed in big letters, "CIA, Montreal, Canada."

Q What did that mean to you?

A Century International Arms, Montreal, Canada.

Q Do you remember any controversy being generated by this photograph?

A Yes. The Canadian government, when they found that, were quite upset. They did come in and question some people at Century. Now, whether it was Weigensberg or not, I don't know. Usually they throw Prokos to the dogs.

Q Why, in your opinion, would the Canadian government been upset by the photograph?

A Apparently because of the nonintervention bill they passed up there in Canada.

Q What was your understanding of what that nonintervention bill did?

A No Canadian is supposed to play around in anything down in Central America.

Q Do you recall Mr. Weigensberg being questioned at all about this photograph?

A I knew that they were questioned. Now, whether he was questioned or Mr. Prokos, usually, is the man that does the talking for him, they throw him to the dogs.

Q When you say question, that would be Canadian law enforcement officials?

A Prokos told me Canadian security, Department of Security. What that is, I don't know, in Canada.

Q I gather that your information on the Canadian security investigation comes from Mr. Prokos; is that correct?

A Yes.

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Q That is Theo Prokos, T-h-e-o?

A Yes. He is their commercial director. At Century Arms -- Century International Arms, excuse me.

Q Did these inquiries coming from Canadian security people follow shortly upon the appearance of this picture?

A Yes.

Q This would have been, again, the summer of '86?

A Yes.

Q Now, Mr. Rugg, did you receive any information on funds for arms purchases coming either through the Bahamas or the Cayman Islands?

A Yes. This information came to me through, again, through Prokos.

Q How did he happen to tell you about it?

A Well, because I was discussing with him on the telephone, saying, you are playing around with a bunch of fruit toots, never see any money out of anything anyway. I didn't know what he was doing.

Q Who are you referring to?

A Weigensberg and referring to the people working with him, at that time, really trying to figure out who is who. And Theo said no, there is no problem, they put up 400 and some odd thousand dollars in cash in the Islands, somewheres, either Bahamas or Cayman. It was transferred to Montreal and back to Canada.

Q Did you understand that money to be associated with the Secord group?

A Yes.

Q Was that through Mr. Prokos that you understood that?

A Yes.

Q Now, I gather you also received information that arms were coming to the Secord group from Portugal; is that correct?

A One shipment that Weigensberg made through Portugal.

Q Do you recall about when that would have been?

A Offhand, I can't. In the fall, that was either probably the fall of '85 -- I remember it was wet, rainy weather, we got soaked.

Q So it would be either the fall of '85, possibly fall of '86?

A Could be, might have been.

Q Do you recall who you would have received that

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information from?

A Prokos.

Q Did Mr. Prokos tell you what that shipment consisted of?

A Just that -- grenades and rockets and so forth. He didn't say what kind.

Q Did he indicate whether there were any middlemen involved in that transaction other than Century Arms or TWA?

A I don't know how you are referring to that, same people were purchasing the materials before, [redacted] in other words, the same group.

Q These materials that are coming through Portugal are [redacted] materials; is that your understanding?

A No, as far as I can believe, they were Romanian.

Q Other than TWA, is there any other arms merchant that is involved in this transaction, to your knowledge?

A Not that I know of, sir, except Secord, I believe that's where it was going.

Q You also understood from Mr. Prokos that it was going to [redacted] is that correct?

A Right. The plane was transferring material in Lisbon.

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Q Now, Mr. Rugg, I am going to ask you a couple of names to see whether you have heard of these individuals. If you have not, simply say so.

Have you ever heard of Albert Hakim?

A No. I have heard of him in the paper, just since this has started. Before that, no.

Q How about a Mr. Willard Zucker?

A No.

Q Have you ever heard of Thomas Clines?

A Only through the papers and the recent investigations.

Q Through your position with Century Arms, ever hear of an attempt of General Secord's group to sell East Block arms in the summer of 1986 into the early fall of 1986?

A All I know is what was going on in 1986 is that we were looking for material, radar equipment and so forth, and Weigensberg was still looking for prices on missiles, rockets and so forth. I presume that's who he was working with then, but nothing ever materialized.

Q Let me back you up onto that subject, then. You say that you were aware that Mr. Weigensberg was looking for radar materials?

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A Russian-made radar equipment.

Q In 1986; is that right?

A Yes.

Q Was it your understanding that that was at the behest of Secord's group again?

A I presume so. I wasn't told it was. I wasn't told it wasn't.

Q So no one affirmed one way or the other who the inquiring party was; is that correct?

A I took it for granted, but that's all -- I could take for granted who it was going to. I am not positive, though, no names were mentioned at the time.

Q Are you familiar with a Portuguese company by the name of Defex?

A I have seen the name before, yes.

Q What do you know about Defex?

A Nothing.

Q Other than having seen the name?

A Just saw the name, that's it.

Q Are you aware that it's in the arms market?

A Defex, no, I am not aware. I would imagine, because in Portugal, any of those companies that are involved

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in arms, they want to be. Like you hire an agent there. One of them is Soeteo; if you are going to work for the government there to buy old surplus material, you have to have an agent. You can't work direct. So it could be any one of those companies.

[redacted]

Q Mr. Rugg, you are familiar, are you not, with the purpóse of end user certificates in the international arms market?

A Yes, I certainly am.

Q End user certificate is indispensable to completing certain arms transactions; is that correct?

A Yes, definitely.

Q Did you ever hear, either directly or by rumor, of end user certificates from [redacted] being on the market that would authorize --

A No.

Q -- [redacted] as a final destination for British blowpipes?

A No.

Q Have you ever heard of General John Singlaub?

A I have heard of him in the papers, yes, that's all.

Q But not through your professional work?

A No, no.

Q How about Barbara Studley?

A No.

Q Or Geomilitech?

A No.

Q Have you ever heard of a Ron Martin?

A Yes.

Q Have you heard of him in your professional capacity --

A Yes.

Q -- associated with an arms dealer?

A Yes.

Q What do you know of Ron Martin?

A Well, he was involved with the partner, with Tamiami Gunshop in Miami.

Q Do you know whether Century Arms or TWA had any business with him?

A I am not sure.

Q Would he have been considered a competitor of theirs?

A I would believe so.

Q Did you receive any information with respect to Mr. Martin's involvement in the movement of arms to Central America?

A Just rumors.

Q What were the rumors?

A Material, he bought material from other countries, [redacted] because he had a friend there in the Army, colonel, major, colonel.

Q What was the value of routing it [redacted] [redacted] to your understanding?

A Apparently end user there, it could go anywhere else, that's going by rumor.

Q I understand.

A Then he got in trouble with the U.S. government.

Q That is Martin?

A Pardon me.

Q Martin got in trouble with the U.S. government?

A He was, that's right.

Q Did you ever hear any rumors that Mr. Martin had what was called an arms supermarket [redacted]?

A No, I didn't. Off the record.

(Discussion off the record.)

BY MR. WOODCOCK:

Q Mr. Rugg, have you ever heard the name of a Mr. Olmstead?

A No.

Q You never heard that in connection with the Secord group; is that right?

A No, never heard that name, sir.

Q Now, Mr. Rugg, to your knowledge, during your period of employment with Century Arms, did Century Arms have an affiliation with the CIA?

A Not that I know of.

Q Did you ever know Mr. Weigensberg to go by any name other than Weigensberg?

A No.

Q Did you ever know him to go by the name Wiggins?

A Yes, I have heard that.

Q Why would he go by a name other than Weigensberg?

A Doesn't sound Jewish, I guess. I have no reason, I have no idea.

Q How about Weisenberg, have you ever heard him go by that name?

A Yes, people called him Weisenberg by mistake.

Q But you, I gather, have never known him to deliberately use a name other than his own; is that correct?

A No, right.

Q Other than Wiggins?

A Right.

Q At least to your knowledge, the use of the name Wiggins was not used for business purposes; is that correct?

A No, no.

Q It wasn't used to obscure his identity, in other words?.

A Unless I didn't know about it. If I did, I would tell you.

Q You don't know of him trying to obscure his identity; is that correct?

A No.

Q Let me ask you a catch-all question. Can you think of anything relating to these arms transactions that I have not asked you that you would like to tell me?

A Nothing I really can tell you, except what you asked.

Q You are no longer affiliated with --

A Century Arms.

Q Century Arms?

A Century Arms, no.

Q Are you in retirement now?

A I wish I could say that, yes. No, I am working for another company, Springfield Sporters in Pennsylvania.

Q What does that company do?

A They buy old surplus guns and parts and we sell them in the United States here.

Q They are not affiliated with Century International or TWA; is that correct?

A In fact, Century is threatening to sue me for antitrust laws. Maybe I will hire you as an attorney.

Q Then you will know the meaning of the word trouble, I guess. That's all I have.

(Whereupon, at 11:10 a.m., the deposition was concluded.)

JOHN J. RUGG

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CERTIFICATE OF NOTARY PUBLIC & REPORTER

I, WENDY S. COX, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn by me; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Wendy S Cox

Notary Public in and for the
District of Columbia

My Commission Expires NOVEMBER 14, 1987

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BEFORE THE CONGRESS
OF THE UNITED STATES OF AMERICA

In the Matter of:

THE SENATE SELECT COMMITTEE ON
SECRET MILITARY ASSISTANCE TO
IRAN AND THE NICARAGUAN OPPOSITION

AND,

THE HOUSE SELECT COMMITTEE TO
INVESTIGATE COVERT ARMS TRANSACTIONS
WITH IRAN

TRANSCRIPT OF ORAL DEPOSITION

Deposition of LIEUTENANT GENERAL VINCENT M. RUSSO, US Army, a witness of lawful age, taken on behalf of the United States Senate and House of Representatives Select committees in the above-entitled matter, pursuant to agreement, before Colonel John K. Wallace, III, US Army, an officer authorized to administer oaths under the provisions of the Uniform Code of Military Justice, at 901 Hart Senate Office Building, Washington, D.C., 20510, at 1:30 p.m., on Tuesday, 16 June 1987.

* * *

Partially Declassified/Released on 21DEC87
under provisions of E.O. 12356
by [redacted], National Security Council
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APPEARANCES:

JOHN SAXON, Attorney-at-Law
901 Hart Senate Office Building
Washington, D.C., 20510
Associate Counsel for the
Senate Select Committee

ROBERT W. GENZMAN, Attorney-at-Law
115 Annex I, The U.S. Capitol
Washington, D.C., 20515
Associate Minority Counsel for the
House Select Committee
Roger L. KREUZER, Investigator
JOSEPH P. SABA, Attorney-at-Law
419 Annex H, The U.S. Capitol
Washington, D.C., 20515
Associate Counsel for the
House Select Committee

ROBERT J. WINCHESTER, Attorney-at-Law
Room 2C631, The Pentagon
Washington, D.C., 20310-1600
Special Assistant to the
Secretary of the Army[redacted]on. John Marsh, Jr.

COLONEL JOHN K. WALLACE, III, Attorney-at-Law
Room 2C634, The Pentagon
Washington, D.C., 20310-1600
Chief, Investigations and Legislative Division
Office of the Secretary of the Army

ALSO PRESENT:

ROBERT S. KASS, Verbatim Reporter
Room 1E744, The Pentagon
Washington, D.C., 20310-1722
Investigations Division, U.S. Army
Inspector General Agency

* * *

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NOTE: Due to the sensitive nature of Deposition Exhibit No. 4 above, this document has remained in the possession of counsel who possess the requisite security clearance.

PROCEEDINGS

(1:30 p.m.)

Whereupon,

LTG VINCENT M. RUSSO

was called as a witness and, after being first duly sworn, was examined and testified, as follows:

EXAMINATION BY COUNSEL:

BY MR. SAXON:

Q. All right, sir; if you would state your name for the record?

A. Vincent M. Russo.

Q. And what is your occupation, sir?

A. I'm a U.S. Army officer.

Q. What is your rank?

A. Lieutenant General.

Q. And what is your current assignment?

A. Director of the Defense Logistics Agency.

Q. And when did you assume that position?

A. 9 July 1986.

Q. And immediately prior to that assignment what were you doing?

A. I was the Assistant Deputy Chief of Staff for Logistics at the headquarters, Department of the Army.

Q. And would I be correct in saying that all of the period that we should be concerned with would involve your time in that assignment?

A. Until 9 July, yes.

MR. SAXON: All right, sir, let me say from the outset, first of all: That when I refer to the fact, that we may have met before or that you have told us certain things in the interview, I have in mind the fact that three members of the Senate staff met with you on April 8th, 1987 in your office at DLA. So for subsequent readers of this record, if I say you told us on such and such a date, sir, that's what I have reference to.

WITNESS: Okay.

BY MR. SAXON:

Q. Before having you walk through the chronology of your involvement with what became project Snowball and project Crocus; I want to ask you some specific questions to try to get on the record your knowledge, your understanding and what may have passed from you to certain people or from them to you.

Let me ask you first of all:

General Russo, at any time when you were involved with TOWs and Hawk missile repair parts, did you know the ultimate destination was going to be Iran?

A. No, no.

Q. You did know the destination was to be the

CIA; is that correct, sir?

A. Absolutely.

Q. If you had known that the destination was to be Iran; would that have affected in anyway what you did?

A. I don't believe so.

Q. And why would that be, sir?

A. Well, I guess it was the faith and confidence that I had for General Thurman.

Q. That would be General Maxwell Thurman, the Vice Chief of Staff of the Army?

A. Yes, and if I might just elaborate on that for a moment. In the connection of the overall intelligence/black community or black work, in my position as the Assistant Deputy Chief of Staff for Logistics, I had been aware of and had participated in a number of meetings, stretching back . . . oh, I would say, into the early 1985 period.

And during that period of time, General Thurman, through his actions and directions, had indicated to me a very strong sense of commitment to doing what was right in this area -- which heretofore, perhaps, the Army had not the best record in the world of doing it that way.

And so he laid the things into existence to tighten up that whole process of doing what was correct; what was proper from not only a Department of Defense, but from a nation's standpoint. So it's from that perspective.

Q. And just for the record, would you have in mind the fact that the Yellow Fruit scandal had broken and that General Thurman was overseeing the investigation, more or less into Yellow Fruit?

A. Yes, and without knowing the details of Yellow Fruit.

Q. And that the [redacted] was created in September 1984?

A. Yes.

Q. And the Army's [redacted] System tightened up?

A. Yes, absoultely.

Q. I should ask by the way General Russo, in your position as Assistant Deputy Chief of Staff for Logisitics, to whom did you report?

A. General Register.

Q. General Benjamin F. Register?

A. Yes, the Deputy Chief of Staff for Logistics of the Army.

Q. Returning to the questions which I indicated from the outset I would ask you. To your knowledge was the legality of Snowball or Crocus ever questioned?

A. No, it was not. The notification process was questioned from an Army perspective, but whether that implied with it the legal question or not; I really can't answer.

Q. General, I believe we've got a pretty good explanation on the record from several witnesses thus far, of the Army's [redacted] System so I'm not going to ask you to walk us through that in great detail.

But let me simply ask you, would I be correct in saying that the TOW missile shipments to Iran and the Hawk repair parts shipments to Iran bypassed the Army's [redacted] System?

A. Yes, they did.

Q. In your capacity as the Assistant Deputy Chief of Staff for Logistics are you aware of any other transfers which have bypassed the [redacted] System, other than Snowball and Crocus?

A. No.

Q. As you well know, sir, there's been a lot of controversy about the price of a TOW missile, and we'll get into some of that later and the minutia of it; and I imagine, you're probably tired of being asked about that. But let me go to sort of the bottom line question and ask you, sir:

Were you ever in a situation where you felt pressure was being put on you to reduce the price that the Army should otherwise have charged? or in anyway come up with a low price, that in anyway would have been inappropriate or unjustifiable?

A. Not at all. As a matter of fact, the pressure, if any, would have been to increase the price.

Q. And how would that be, sir?

A. Through indications that Simpson would tell me from time to time.

Q. That would be Major Christopher Simpson, the action officer on this?

A. Yes. That there was concern, particularly, in the Missile Command about the replacement costs for the TOW, which would run up to $8,000 - $11,000; and so the pressure was in that direction as opposed to keeping it low or reduce it.

Q. But, sir, that would have been the pressure that came up the chain from MICOM?

A. Yes.

Q. It was to get a replacement cost, which was higher than the cost the missiles had been purchased for?

A. Yes.

Q. My question really would have been: Was there any pressure from the top, whether it be from General Powell, from the NSC, from the CIA or any other point of origin, on you not to go with whatever price should have been charged?

A. Yes. No, there was absolutely no pressure, and I would say also, that the only real guy that I dealt with above me was Colin Powell.

Q. General Russo, did you ever tell General Powell that there was a way to get these missiles cheaper, if the Army wanted to do that? Do you recall any statement to that effect?

A. We had some discussion about that, and it got into the discussion with regard to the basic missile, and what the basic missile represented. And I think, I mentioned to him that there was a more expensive missile, but that we were not using that more expensive missile. We were using the basic missile.

Q. So any statements you might have made would have been in that context?

A. Yes.

Q. Sir, do you know who first came up with the price of $3,169 for a basic TOW?

A. I believe it was Chris Simpson, Major Simpson.

Q. All right, sir, and do you know when you first learned that a basic TOW with MOIC -- M-O-I-C, the Missile Ordnance Inhibitor Circuit, was carried in the Army Master Data File, the A-M-D-F, at a price of

$8,435.00?

A. I believe, that was after the investigations began.

A. Did you ever see any transfer documents going from Anniston Army Depot with the TOW missiles, the basic TOWs with MOIC, to Redstone which reflected a price of $8,435.00?

A. I did after the investigations began. Excuse me. I don't remember the price being on those documents though, very frankly. I just don't remember but I did see the documents.

MR. SAXON: It was not on some of them, and on others it was.

WITNESS: Okay.

MR. SAXON: And I believe, my Army colleagues will substantiate that for me.

BY MR. SAXON:

Q. General Russo, was there ever any discussion in the early days of these transactions or later -- but I don't have in mind after these matters became public -- about these shipments being pursuant to a presidential finding?

A. Not to my recollection . . . or excuse me. Let me just clarify that: I don't remember the discussion on finding coming up or not coming up. It was just a blank. I just didn't hear it mentioned in either direction.

Q. All right, sir. On the issue of Congressional notification and, the Army was quite sensitive of this issue, it arose a number of times. And we will go through some of the particulars of your involvement on that issue, but let me just ask you from your personal standpoint: With whom did you raise the issue of Congressional notification beyond the people, who were below you at the Department of the Army?

A. Well, let me see... I must tell you that I did not initiate that issue. As I recall it, Tom Taylor, and, I don't know if he's a "mister" or a military guy; but he's in the Office of General Counsel of the Army. I believe -- was probably, the guy that started the question of notification going.

And he discussed it, I believe with Major Simpson but, significantly, he discussed it with Miss Crawford. Miss Crawford then sent a memo -- may have followed up on some verbal discussion she had with Secretary Marsh which raised this issue.

And as a consequence of that, the Secretary had a meeting in his office, and which I attended, and at which time he told me to assure that I advised General Powell that he, the Secretary, was very concerned with regard to the Congressional notification requirement.

Sue, Miss Crawford, the General Counsel of the Army, had told me that in her opinion the requirement for that notification, was one from the agency to whom we gave the items to as opposed to the Army, directly.

So I did mention that to General Powell, and he assured me that the people that were concerned and responsible for that notification were aware of their responsibilities.

Q. And, sir, did he tell you who those people were?

A. No, he did not.

Q. And did he ever tell you, anyone in particular, with whom he raised the notification issue?

A. No, he did not.

Q. And did he ever communicate back to you, other than these people were appropriately aware, that anything affirmative or pro-active was happening on the issue of notification?

A. No, he did not.

MR. SAXON: Let me go now to the topic of the replenishment of Israeli TOWs. As we now know, the second shipment of 508 TOW missiles was apparently intended to replenish Israeli stocks from an earlier shipment they had provided to Iran.

BY MR. SAXON:

Q. When did you first become aware of the issue of Israeli TOW replenishment?

A. While I was asked the question by several of the folks that were interviewing me.

Q. So it would be after these matters became public?

A. It was after it was published.

Q. Am I correct in saying, that at no time in your involvement with Snowball and Crocus, did you ever deal with the Israelis?

A. That's correct.

Q. At any time in your involvement with Snowball and Crocus, were you aware that the Israeli government was involved in anyway?

A. No.

Q. Did you ever have any contact with Noel Koch, K-o-c-h, about pricing of TOW missiles?

A. I would say a flat-no, on pricing; and secondly, I don't even think I know Koch.

Q. Did you ever have any involvement with or dealings with Mr. Glen Rudd, the Deputy Director of DSAA with regard to TOW pricing?

A. No.

Q. Did you ever have any dealings with Dr. Henry Gaffney, the Director of Planning for DSAA on TOW pricing?

A. No.

Q. And did you ever have any dealings with Richard Armitage, the Assistant Secretary of Defense for International Security Affairs on TOW pricing?

A. No.

Q. Did anyone ever make you aware of the fact, that with regard to Foreign Military Sales, under FMS sales, the cheapest we had ever sold a basic TOW missile to anyone was $6,800?

A. No.

Q. Did you ever have any dealings yourself with [redacted] of the CIA?

A. Yes.

Q. We will go through that later in whatever way it comes up, as we walk through this chronologically. But for now did [redacted] ever tell you that he had been at a meeting at the White House on January 18th, 1986 with Admiral Poindexter, Colonel North, Claire George and Stanley Sporkin of the CIA to talk about these matters?

A. Not to my recollection.

Q. Did he ever indicate to you that his contact on the National Security Council staff was Colonel Oliver North?

A. No.

Q. Did he ever tell you that the price of $6,000 for a basic TOW missile was too high?

A. Not that I recall.

Q. Did he ever tell you to find the oldest TOWs that existed in the warehouse for shipment?

A. Not that I recall. And you know, I gotta say that there's been a distinction in my testimony so far, between "no" and "not that I recall."

The reason that I'm sort of hedging that, if that's the way to say it, is -- one, my mind is getting faulty but I don't think it's that faulty. But because of the many interviews I got there, obviously, must be another side of the coin. And I would say to you, that I as sort of the other guy: get us both in the same room and let's talk about the same subject at the same time. But, I just can say "not that I recall."

MR. SAXON: For what it's worth, general: There are, perhaps, more than one other side to this coin as we're all finding out.

And second, we all have the benefit of asking these questions, after the fact, and it is quite difficult to recall in great detail, things which happened a year -- a year-and-a-half ago, particularly, when you had no reason at the time to know you would ever be called to account for every detail.

WITNESS: Yeah.

MR. SAXON: So we understand that problem.

BY MR. SAXON:

Q. Did [redacted] ever tell you that Colonel North had checked with the Marines on the TOW prices?

A. No.

Q. Did you ever have any dealings with [redacted] [redacted] with the CIA?

A. Yes.

Q. Did [redacted] ever tell you that [redacted] instructed him, expressly, to avoid the [redacted] System?

A. No.

Q. Did [redacted] ever tell you that the price of $6,000 for a basic TOW missile was too high?

A. No.

Q. Did he ever tell you that you should drop the price from whatever level you were looking at, roughly, $6,000 to $3,400.00?

A. No.

Q. Did he ever tell you anything that would have caused you to -- yourself, adjust the price from $6,000 down to $3,400?

A. No.

Q. Were you ever told that the CIA was operating with a set amount of money or that there was a ceiling on how much money they had?

A. I believe so. I believe if I recall, the number was $25 million. Now where that number comes from, I just don't remember ... I just don't remember.

Q. Would it be safe to say that it came from one of the individuals at the the agency, with whom you had contact?

A. It either was they or Colin Powell.

Q. But you -- to the best of your recollection, recall the figure $25 million?

A. That's the number that just sticks up in my mind.

Q. Was that the total amount of money for TOW missiles? for Snowball?

A. Yeah, because that's the only project we were working at the time.

Q. Did you have involvement yourself on the Hawk missile repair parts?

A. Yes.

Q. And did you ever tell [redacted] of your concern, of any Army concern, about the readiness impact of providing all of the repair parts which were requested?

A. I don't think I mentioned that to [redacted] I may have, but I had . . . I'm trying to remember when I even met with [redacted] on the spare parts. I met [redacted] I don't remember whether I met with [redacted] But I don't know that I would have mentioned to him, except in passing. I might have said, that we've got some problems with some of these. We're below the fifty percent mark on it -- or something like that, but I just don't remember talking to [redacted] on that.

Q. Do you recall whether you talked with anyone at the CIA to indicate that there were certain of the items on the list of 234 repair parts requested, which the Army did not want to provide because of the readiness impact?

A. I don't think I did that directly.

Q. Do you have any recollection of someone from the Army making that statement? perhaps, it was Major Simpson to his counterpart at the agency? And then the agency, more or less, overruling the Army and reinstating some items that you didn't want to provide?

A. I think that Major Simpson may have told them about our concern and our problem. I don't remember them overruling him, in that context.

Q. Were you ever informed by anyone that the decision to delete the Hawk radars was made by Colonel North?

A. No. The decision to delete them?

Q. Yes, sir.

A. Well, we really didn't have them as a requirement. They were outside the 234, if I remember correctly.

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And I remember, either me telling [redacted]. Yeah, I think I told [redacted] directly, that -- that was off the list and, since it was a major item, that they had to come through with some paper on that one - because that sort of bothered me a little bit.

MR. SAXON: Let me see at this point, before we start on the chronology, if Bob or Roger have any points? -- direct follow-up on these questions, and then, if not, we can go forward. And if you do, we might as well get them now.

MR. GENZMAN: Not for me.

BY MR. KREUZER:

Q. Sir, at some point in time, did you have a discussion with the MICOM commander?

A. Yes.

Q. About the cost of these TOWs?

A. Yes, General Burbules.

Q. And what did he say to you during that discussion?

A. Pete, General Burbules mentioned to me his concern -- and now as I recall it -- but he mentioned his concern with regard to the price; that he felt we might be -- or that he might be getting reimbursed for these weapons. And the context of his comment was, that we're selling, if you will, a weapon, and we're having to pay, significantly, more money for its

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replacement.

And my recollection was that: "Pete, I understand that. However, we're dealing with something called the Economy Act here, where a replacement cost simply isn't reachable." So I said, "And it's for that reason, that we're using this price for a basic TOW missile."

And that's sort of the extent of my recollection of that discussion. It was a little back and forth, but that's the frame that we were talking in and he was concerned about it.

He said, "Geez, we're giving away one item and having to buy it back -- it~~'~~s replacement -- at a rather higher and, more significantly, higher cost."

And I was aware at the time -- again, as a function of my position, that the Army had made a decision to buy TOW II missiles and, very frankly, having said that, and the knowledge about what the Economy Act said or didn't say, it was what I relayed to General Burbules and that was the only conversation we had.

Q. Is it true then, that there was no provision in the Economy Act made for replacement costs for any kinds of items sold?

A. That's my understanding and I confirmed that: (a) with General Powell that replacement

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costs were not in the equation; and

(2) with Tom Taylor of the General Counsel's Office.

I asked him if the Economy Act, in fact, did apply? And he said 'yeah' as far as he could tell, it did apply. So based on that, that's why I said that the replacement costs were out.

BY MR. SAXON:

Q. Do I understand your testimony then, general, to be that you understood, initially, that you were using the Economy Act from your discussions with Mr. Taylor in the General Counsel's Office?

A. It's very fuzzy, timing-wise General Powell may have told me first, and, it's all in that first week. So I don't remember. It may have been Powell, because he -- he . . . this is sort of an extension but I might as well say it here. General Powell had told me a couple of things:

(1) He told me that the Secretary, Secretary Weinberger, wanted to be sure that the Army was whole; that the Army didn't lose anything as a function of this project;

(2) He said that the Secretary wanted to do things consistent with law;

(3) He told me about the Economy Act; and

(4) He told me about the replacement costs.

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Now when that happened in time, that first week with the discussion with Taylor, I just don't remember.

Q. All right, but it's very clear you understood this to be an Economy Act transfer?

A. Yes, indeed.

Q. All right, let us go then to that first discussion --

MR. KREUZER: I'm through with that, except for one other point, and that is:

Was any other avenue, or any other possibility, or acquisition of these missiles discussed? And by that, I mean did they talk about anything other than an Economy Act transfer? Was that at all brought up? like Foreign Military Sales?

A. No, no one mentioned Foreign Military Sales at all. And, normally, you know -- again, going back to my position. We had a number of actions with the agency and they were all Economy Act types of things, and so it didn't come as a surprise that we weren't using FMS because of the way we normally did it was was through the Economy Act.

BY MR SAXON:

Q. General Russo, if you would, now begin at the beginning, and walk us through in terms of your involvement with project Snowball; what happened first?

when it happened? who said what? et cetera, what you did?

A. Now on the 20th of January 1986, when I got in that morning, General Register told me that over weekend, Saturday the 18th, he had been advised by General Thurman, that we had a project ongoing that we were to execute.

The project involved some 4,000 basic, vanilla, TOW missiles that were to be transferred to the agency, to the CIA; and that, we would do so on a very close-hold basis -- a minimum of paper and minimum of people involved. He told me that he had been working that with Major Simpson over the weekend, and that he would be moving around the next couple of weeks and he said, "You might as well take that under your wing."

He said that we anticipate a pretty quick transfer of those, so we need to get down the very detail of how long it would take us to move things around. So with that, I called Major Simpson in and got a debrief as to what he had done so far. I laid out on the chart, what steps needed to be taken to go from the site at Anniston to wherever it was that they would be going to, to include an airlift out of the Redstone Army Airfield.

Q. Had Major Simpson already identified that the

TOWs were at Anniston Army Depot?

A. At Anniston, yeah. And so we -- he then compartmented that into how much time it would take to take things out of bunkers, and how much time it would take to load trucks and transport it to Redstone, off load it and on load it on to some aircraft.

At the time we were thinking about some kind of an airlift. And so we started moving along in that role, and during that first week is when -- that first day, really, I called General Powell to tell him I was the contact for the Army on the project. I called [redacted] who Powell gave me as being the guy at the agency that was the contact and we established secure numbers and all that sort of stuff.

And at this point in time, Simpson was working the action having to do with who, what, when, where, how and why.

Q. All right, let us stop here and have you go through, as carefully as you can reconstruct it, your conversation with General Powell. Was this on the phone or in someone's office?

A. The first contact simply was on the phone. I told him I would like to come down and see him. And since I hadn't talked to Colin before that job. He said, "Well, what's this all about?" And I said, "About some project."

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Q. And I don't believe we've said for the record, at the time, he was Major General Colin Powell, and he was the military assistant to Secretary Weinberger; is that correct, sir?

A. Yes.

Q. All right, continue.

A. So I went down to see Colin, and told him I was the contact point on the transfer of the TOW missiles. And that's -- as I recall, the time at which he told me about the four points that I had mentioned before. And I talked to [redacted] and I told [redacted] that I understood the task, but that I would expect that before we transferred anything that there would be the normal fund citation associated with the project.

Q. Did you ask General Powell if this was a project, or a tasking, or a requirement passed down from Secretary Weinberger?

A. No, I did not.

Q. Did he tell you that?

A. He mentioned that the Secretary was involved and gave me the instructions that he had received from the Secretary, with regard to the Army being kept whole and doing things in accordance with applicable laws.

Q. At that point or any other, did General Powell tell you that Secretary Weinberger had reservations about this project?

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A. No.

Q. Did he ever say that Secretary Weinberger thought it was illegal?

A. No.

Q. Did he ever say that Secretary Weinberger thought some people could go to jail because of this project?

A. No.

Q. Nothing along those lines ever came up?

A. No. He just gave me the two issues that I mentioned.

Q. And what happened next?

A. Then the ball started to flow, and the telephone lines working between Major Simpson and MICOM, the Missile Command. And it was during the course of the first few days, that we heard about the need to include this MOIC, that we talked about earlier. And the question came up: "What's the cost?" And the answer was $300, and so that seemed to be reasonable so we went ahead with that.

Q. When you say "we went ahead with that." Who?

A. I authorized them doing that.

Q. Did you contact the CIA to tell them that this was going to --

A. I told [redacted] that that's what was happening, and he didn't raise any reservation about

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the cost at that time.

Q. And what was the cost being discussed at that point?

A. $3,469 -- $3,169 for the basic TOW missile and $300 for this MOIC.

Q. And had there been a period, which we might have skipped over, before you get to the basic TOW at $3,169 plus the MOIC, in which you had given anyone a ball park figure of $6,000?

A. Not that I can recall. I may have done that, I doubt it. But in the discussions with Major Simpson, the question came up about the ancillary costs -- the unloading from the bunkers and all of those kinds of things to get it to the airfield, and the loading of the aircraft. And there was some question mark as to how much those would amount to? And we may have come up with some number. It could have been $6,000, I don't recall now, but that's how we could have gotten to that.

Q. What do you recall being the first figure that you gave, either to General Powell or to anyone at the CIA?

A. I would have said $3,169 because it was a day or two after that, that the MOIC issue came up. And the discussion with [redacted] was that one of us -- probably me -- said something. "I understand there's

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some urgency associated with this," and you know -- "When do you think you might be able to tell us to ship?" or "When do you want it shipped?"

And his reaction, generally was, "Well, I'm not sure. It's gonna be very soon."

And somewhere in there crept the issue of having to do with, "I'm waiting for the money to be released." Released by whom didn't come up, just "released."

Q. Did anyone at the agency ever tell you that they were getting the money from the White House for this project?

A. No.

Q. And when any of the issues arose of the MOIC would cost more, or MICOM only had been more for the I-TOW downgrade, et cetera, any time when you were asked to go back to the agency for possibly more money; were you ever told that they would have to go to the White House or the NSC for that decision to be made?

A. No.

Q. It never came up?

A. Never came up. So we continued on that week in that dialogue with MICOM. I said "we" -- primarily, Major Simpson; my contact with [redacted] having to do with the fund certification and the date of shipment; some dialogue that I know Simpson had with the Air

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Force with regard to whether requests had come through for military airlift. In general, getting prepared to make the shipment whenever it was called for.

As I recall the first time that we had a shipment and, I'll refer to these notes here, was the 13th. I think it was of -- excuse me -- the 29th of January and we made all the preparatory moves to do that, to include moving the TOWs over to Redstone.

Simpson physically went down there because the agency wanted to have a transfer action, and it was in our interest to get a piece of paper signed by them at the point of transfer. And so Simpson went down there and, I believe, [redacted] went down there... [redacted] did not go --

Q. Someone from the agency?

A. Someone from the agency went, and at the last minute that was canceled. Why was it canceled? "Well, we don't have the aircraft." So from there we went into some further discussions with the agency as to -- you know, "Okay, now what?" We kept the missiles there at Redstone, and so we gotta add security guards to them, and we just didn't know when we were going to move them. We thought it was going to be momentarily. It didn't happen, and we finally had to ship them from Anniston as I recall, by truck to [redacted] on the 13th of February.

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The arrangements for that was made by the folks at [redacted] who had the transportation contacts that we have used before. As I recall, it was [redacted] that made the move. So that occurred, a thousand missiles moved.

And now during those couple weeks, the question came up that they didn't have enough MOICs to meet the requirement of the agency.

Q. Which was that the missiles be conditioned code "A" is that correct, sir?

A. I frankly, did not get into the discussion on is it condition code "A" with it, or without, or what the hell. All I knew was that -- that Simpson reported to me, that they did not have the MOICs that we thought they had.

And so a result of that, they came up with a solution which had -- taking off a warhead off another missile, using the missile part of it together with the warheads off of the basic -- the other basic TOW, marry them together, and using those.

Q. Did the launcher that was going to come from another missile, as I understand it, was to come from the I-TOW; is that correct, sir?

A. That's the way it ended up being.

COL WALLACE: But not "launcher." Rocket motor.

MR. SAXON: I'm sorry, "rocket motor." Thank you.

BY MR. SAXON:

Q. That had come from the I-TOW; is that correct, sir?

A. I-TOW. But I need to explain that because that gets into the pricing area a little bit.

I couldn't distinguish between what was the difference -- and that's very fundamental. Because we were talking about a basic TOW missile which consisted to two parts, the motor and the warhead.

And I couldn't get anyone to really describe for me, what was different in that TOW motor, and the different kinds of things that we now understand to be the basic TOW and the I-TOW, with the exception of the MOIC which was $300, we were told, and the extended distance, which later on I found to b[illegible]0 worth.

So I said -- and that was where the fundamental issue came up, and, since I haven't seen too many other authenticated documents about this hummer . . . I still don't know today what the right cost was of the missile. So it was during that period of time, however, that the question came up. We can't can't meet the requirement unless we take this part of the missile, take the warhead off, substitute the older warhead, and use that to meet the requirement.

Q. Let me ask you about the pricing question. Did MICOM put forward the argument that since the I-TOW motor was being used, rocket motor, and that that's carried in the Army Master Data File at a higher price because the I-TOW costs more than the basic TOW, that they should, therefore, be reimbursed an additional cost for that amount?

A. They may have, but that argument didn't come to me.

Q. It didn't come to you?

A. It did not come to me. And I would say that the MDF, would not segment that rocket separately. It was complete with the warhead. Very frankly, I thought there was something peculiar about the warhead, that was what was giving it the extra cost because in the other piece of it, there seemed to be no difference except the range and MOIC; the MOIC was $300 and the wire was $20. [redacted]

Q. At what point were you made aware that there was a different national stock number for a basic TOW, if it had a MOIC?

A. Well-after I left the agency, well-after. I would say, it was September or October, or whenever it was that all of this began to bubble up in the DoD.

Q. So if I understand your testimony, while you were the point of contact for General Powell and for the Army on [redacted] this project, no one ever made you aware of the fact, that if you took a basic TOW and put a MOIC on it, that according to MICOM, that changed the national stock number?

A. Yes, that's correct.

Q. And the price went from $3,169 to --

A. Somebody may have said that. Somebody may have said that and I asked them, "Show me how?" "Are we talking about the same item?"

Answer: "Yes."

"Okay. What do we do with it?"

"We put a MOIC on it."

I said, "Well, you just told me it cost $300."

"Yeah, that's right."

And I said, "Well, what else have you incurred, that caused you to go to that kind of a number?"

I couldn't get any good answers.

Q. Did you have a conversation or did you say you might have?

A. I believe, I did have that conversation.

Q. And with whom would you have had it?

A. I'm not clear. I'm not clear on that. I know I had it with Simpson, and I don't remember who else I may have had that coversation with.

Q. Do you recall ever raising that issue with anyone in the agency, CIA?

A. No, no. But that was my ... I raised the question, because I know MICOM was raising it through Simpson, that there was an additional cost associated with what you now call 'I-TOW.'

Q. Did you raise that with General Powell?

A. No, I did not. I just felt it was something that I was looking at, and it was within my cognizance to make a judgment on it.

MR. KREUZER (TO MR. SAXON): You stole most of the thunder, but I do have one remnant left.

BY MR. KREUZER:

Q. And the remnant being, sir, did anybody ever suggest that, perhaps, in addition to the fact that a new national stock number was created that, perhaps, the improved TOW motor portion was built at a later date? at a time when, per unit costs of hours, manpower and materials were higher?

A. No, and that's a good point. First, no one ever mentioned the different stock number which -- you know -- I guess, I fault myself but what the hell, that's mine, clearly. But having said that, we didn't go into that distinction about the later productions. As a matter of fact, I'm pretty sure I recalled asking, "Is this thing still in production?" The answer was no.

But again we were talking about a basic TOW, and I was under the impression that, we were talking a "basic TOW" without the varieties that I later found - out -- we got, virtually, ten different types of almost basic TOW. So may be it was semantic at that time but I didn't know the difference.

I had understood those as a basic TOW. I thought we were talking about one and I found out later that we weren't talking about one.

MR. SAXON: All right, for clarity of the record, let me indicate that when I talk about the change in the national stock number, I'm confining that discussion to the basic TOW itself; and the fact that if you take a basic TOW, 71A, 71-Alpha and then put a MOIC on it, in the MDF, it apparently becomes a 71A2 with a higher price.

WITNESS: Yes.

MR. SAXON: And that the I-TOW downgrade is a separate issue and I guess, in fact, there would be a different national stock number for a basic TOW and a I-TOW, but that's not what I mean when I say, the change in the stock numbers there.

BY MR. SAXON:

Q. General Russo, were you ever made aware or did you ever have any discussions with anyone, and I

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guess, particularly, this would have been either General Burbules or Major Simpson, about the computer system that governs pricing and inventory numbers at MICOM, at Redstone, at Anniston Army Depot?

A. Not during the course of --

Q. It never came up?

A. No, sir.

Q. All right, sir. Where are we in the chronology?

A. Well, I guess, we just made that first shipment and that was the 13th of February, and, I guess the next thing on the TOWs was the the continuation of moving some of those new or different rocket launchers, down to Anniston so that they could switch the warheads around.

And I authorized MICOM to spend the money on that with the understanding from [redacted] I told [redacted] that we had to do this, in order to come up with the missile that was workable. And so I authorized MICOM. I think we sent them a message that said -- you know, "Go ahead and do this and here's the fund cite to use." And they went ahead and began to build the balance of the shipment that we had been asked to make.

And the next part of that, as they were working that, was a requirement for an additional 500,

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the second shipment and, I must say that during this period, I must have called [redacted] probably once a week -- I don't know -- asking him, you know, "Where are we?" "What the hell happened to all the furor that we were working this hummer at?"

And [redacted] says, "Well, you know, I'm waiting for the dollars; I'm waiting for the money." And I said, "Well, when are you gonna get it?" He says you know, "Any day now."

Q. Had you ever been involved in your capacity at DCSLOG with transfers to the CIA before?

A. Yes.

Q. Had you ever had an incidence in which they were waiting on the money?

A. No.

Q. So you found that unusual?

A. Yeah.

Q. Did you ever ask anybody? [redacted] what was going on?

A. No. I guess, I felt comfortable, that if I asked them they were gonna give me the -- you know, "Don't worry about it; we don't have it" or something like that.

Q. Did you ever tell them that you wouldn't ship any TOWs, or go forward unless the certification of funds was there?

A. Absolutely, absolutely. I think that was clear from the outset. That while we were talking [redacted] about minimum paper, I told him, essentially. I used the words "no ticky, no shirty." If they didn't - come through with the certification, they weren't going to get the missiles and I needed another piece of paper that said, that they were taking accountability on the transfer.

Q. Were you made aware by Major Simpson of the reasons for the calling off of the MAC airlift with regard to the first shipment?

A. No.

Q. You knew that it was initially going to go by air to [redacted]?

A. That was my understanding. I was a little concerned when -- initially, Chris had mentioned to me that he had called his counterpart on the Air Staff that worked those kinds of actions, and he had no --as I recall -- the guy on the Air Staff had no knowledge about the requirement. So that was a concern to me, because time is short, even to support the agency. But I never knew why the aircraft had been called off.

Q. Did Major Simpson ever tell you that it took some shuffling by MAC to be able to lay on that airlift capability, the first time?

A. I don't recall.

Q. And did he tell you that they were quite upset, that after they did that, and had an opportunity of costs that then the airlift was called off?

A. I don't recall.

Q. Did he ever tell you that for the second shipment, initially, he -- Simpson was told, that they would use the airlift capability and he went to MAC and they, in essence, told him they weren't going to do it?

A. I don't recall that.

Q. All right. Where next in the chronology?

A. Well, I guess, the next was the designation to ship on the 19th of May and this came up with 508 and I don't know how the hell, the "508" came up but I've been asked that before.

Q. Did you ever ask anyone why that odd number?

A. No. Sounded screwy, but I didn't ask somebody -- you know, how the hell did you come up with that number? Excuse me.

There was some initial discussion when we were talking about different kinds of air configurations. There was some discussion about topping off the top of the airplane -- of the pallets -- to fit inside of the envelope of the aircraft.

Q. And who made those comments to you?

A. I believe, it was Chris -- Major Simpson, I believe.

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Q. In the beginning, you were told that the shipment would be for 4,000 TOWs; is that correct?

A. Yes.

Q. Did there come a time shortly thereafter, when it increased to 4,500?

A. Yes, and 4,508.

Q. So if we're ready then, walk us through the second shipment?

A. The second shipment, we were given the notification that on the 13th of May it would move by truck to [redacted], and we went ahead and made the same kind of arrangements we had made before through Simpson's contacts to move by truck.

And at this point in time, we had a new player in the game, a Lieutenant Colonel Armbright, who was scheduled to replace Simpson within the month. So he came in and he went down to observe the transfer.

Q. For the record, that was a normal change in assignment for Major Simpson; is that correct, sir?

A. Yes, yes. Armbright went down to Redstone to observe the transfer and, however, there was no agency contact there. So it was not until he returned to Washington, that he received the "John Henry" on it.

Frankly, had I been aware of that, I would have insisted that the agency send somebody down there, because had something happened to anybody, we would

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have been left holding the bag.

Q. And by "John Henry" you have reference to a transfer document, transferring control and ownership from the Army --

A. Absolutely and signature, from the Army to the agency, yes. So that shipment was made and that pretty much wound-up my involvement in the project.

Q On Snowball?

A. On Snowball.

Q. Because you left DCSLOG, I believe, on 8 July?

A. The 9th of July.

Q. So you were not around for the third shipment?

A. I was not around for the third shipment.

MR. SAXON: Now before we get to Hawk repair parts, we need to go back then and visit the policy level discussions about Congressional notification and some of those issues.

Any of you gentlemen have any other questions about TOWs, other than the meetings with Secretary Marsh, Mrs. Crawford, et cetera?

MR. GENZMAN: No thanks.

MR. KREUZER: No.

BY MR. SAXON:

Q. All right, if you would, General Russo, tell

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us when any issues first arised, that concerned any requirements of law to notify the Congress? who talked to who? what discussions were held? what was going on? et cetera?

A, I think, I mentioned earlier something -- and as I'm beginning to use "Bric Bradford's time top" (sic) here -- it seems to me, that Simpson in his discussion with Taylor of the General Counsel's Office, Simpson got wind of a new law that was passed, that required different thresholds of notification for the Congress.

Q. Would that be the Intelligence Authorization Act of 1986?

A. I believe that's what it was. And as a result of that there was an increased tension beginning to grow on the part of the General Counsel. And as I recall, I asked Simpson to go walk down and check with General Suter -- General Suter being my counterpart on the Army Judge Advocate staff.

And the judge came down to see me -- Suter came down to see me, and said he was quite concerned with regard to the issue.

Q. Let me backup a second. Now how had Major Simpson been made aware of this new law?

A. I think, it must have been in discussions with Taylor because he had --

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Q. Tom Taylor?

A. Tom Taylor -- either with Tom Taylor or perhaps, with [redacted] has a legal guy in that shop --

Q. Would that be Major Ed Frothingham?

A. Yeah, that's the guy that I couldn't remember, but -- yeah, that guy, and so it may have been during those discussions.

And it wasn't until later, frankly, that I knew the [redacted] was even knowledgeable about this case. It actually occurred when I was with Colonel MacDonald, who was the Chief of [redacted] at the time. We had a subsequent meeting, but I'll get to that...

The bubbling of that concern on the part of both Suter and Taylor, led to Miss Crawford preparing a memo for the Secretary in which she voiced her concern, and, I wish I had that memo. Because it caused me to call her and I called her.

I said, "Sue, you know, there's a suggestion in this memo that we have the responsibility for notification." I think that's along the lines I said, and she said, "No." She said, "We think it's whoever is the receiving activity."

And as a result of that, I think I inked in at the bottom of that hummer...

MR. SAXON: Before you go further with this document that I've given you, general, was there a

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meeting that you had with Tom Taylor? A discussion about the Intelligence Authorization Act and any requirement for Congressional notification?

A. I believe so, but I just don't recall the specifics.

MR. SAXON: All right, let me see if this document can help refresh your recollecton, and, I would ask that this be marked as Depostion Exhibit No. 1.

(Whereupon, Deposition Exhibit No. 1, was marked for identification.)

MR. SAXON: And it consists of two pages; the first page is dated 13 February, and I would believe that would be 1986, in the context of things, and it's addressed to Major General Russo from Tom Taylor and it says:

"Concerning our conversation last we decided to ensure that Secretary Marsh was aware of the provision you and i discussed. Hence, the attached was delivered today."

BY MR. SAXON:

Q. Do you recall getting a note like this?

A. Yes, I do.

Q. And the attachment to which it refers is, I believe, the memorandum from Susan Crawford the General Counsel of the Army to Secretary Marsh dated 13 February; is that correct, sir?

A. That's correct.

Q. Now there's a handwritten notation on Tom Taylor's memo; is that in your handwriting?

A. Yes.

Q. And what can you tell us that that says?

A. That's a notation, in which I'm noting that I have shown that to General Register, and I have provided a copy of that -- of these two pages -- to Major Simpson.

Q. So "DCSLOG" that would be General Register who was the DCSLOG and he had seen it, and you provided this to Major Simpson?

A. Yes.

Q. All right, sir. If you go then to the next page of the exhibit, Mrs. Crawford's memorandum. You said a moment ago, you thought you had written something on her memorandum and would that, in fact, be the notation we see? The handwritten notation at the bottom?

A. Yes.

Q. And what does that say, sir, if you'd read it to us?

A. "Nota bene" in Italian -- it's Latin but in any case --

Q. Which means what?

A. "Note well," at least, in my lingo; probably in no one else's. "In discussion" and the note reads at the bottom, the annotation reads, as follows:

> "In discussion with Mrs. Crawford today, she advised, that where we support another agency, they -- not we -- are responsible to make the necessary notifications."

It has my signature, dated 13 February '86.

Q. And do you recall seeing that memorandum and making that notation?

A. Yes.

Q. And as you understood the issue of Congressional notification based on this memorandum, tell us what you thought that meant, in terms of who should notify the Congress?

A. I was under the impression that based on what the memo said and my discussion with her, that the agency, the CIA, had the responsibility to provide notification to the Congress. But this says, and in the context then of the notification process, this memo, I believe, is what stimulated a subsequent meeting in Secretary Marsh's office.

Q. All right, tell us about that meeting if you would?

A. I was told by Miss Crawford, that I was invited to attend a meeting in the Secretary's office, and that general nature being notification to the Congress.

Q. Who do you recall as having been present?

A. The Secretary -- Secretary Marsh, Miss Crawford, General Suter -- that's S-u-t-e-r; he is the Deputy Judge Advocate General of the Army, Colonel MacDonald, who was the Chief of the TMO; General Cavezza, C-a-v-e-z-z-a, who was the executive to the Secretary of the Army and I.

Q. Do you recall when that meeting took place?

A. Well, I don't have my notes on when that occurred, but it's in the chronology someplace as to when we held that meeting. It was maybe a week or two after this -- maybe a couple of weeks after this memo.

And the Secretary sort of kicked it off by asking me to recount what had occurred with regard to the project, and so I did.

At the conclusion of my recounting where we were in that project, he mentioned to me that he wanted me to -- and there was some peripheral discussion by

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Colonel MacDonald who I found out -- I was surprised to see him there, because I didn't know he knew anything about it -- but anyway, Colonel MacDonald mentioned that he had been in on the discussions about this project fairly early on in the inception.

But in any case, the Secretary told me to do two things:

(1) "Develop a chronology of all the actions that you and the DCSLOG have taken since this began," and;

(2), "Tell General Powell of my concern with regard to adequate notification being given to the Congress."

So I did that a day or two later, if not the same day. I did that with General Powell and on some document, I believe, which is over here I noted the day that I had specifically passed on to him the Secretary's concerns.

MR. SAXON: All right. General Russo, let me ask you then to take a look at this next exhibit, which I would asked be marked Deposition Exhibit No. 2.

(Whereupon, Deposition Exhibit No. 2 was marked for identification.)

BY MR. SAXON:

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Q. And ask you if that would be the memorandum for record dated 25 February '86, that you did at the request of Secretary Marsh that grew out of this meeting you just referenced?

A. Yes.

Q. And there is a handwritten notation at the bottom; is that in your handwriting, sir?

A. Yes.

Q. And what does that say?

A. "Coord" (coordinated). It's truncated to read "coord," but that meant "coordinated with General Powell on 5 March '86" with my initials on it, dated 5 March.

Q. And when you talked to General Powell what did you tell him?

A. I told him that the Secretary was very concerned with regard to the meeting to notify the Congress in accordance with the new law -- yeah, there it is -- the Intelligence Authorization Act for FY-86. And that he understood, that he -- the Secretary, understood that we were not responsible for that notification but he was concerned that somehow, that requirement be accommodated.

General Powell assured me that he understood the requirement and that the people responsible for that notification understood their responsibility. I accepted that, returned, and reported back to General Cavezza, that response from General Powell and that's about it.

Q. Was it your understanding in reporting back to General Cavezza, that he was to transmit that to Secretary Marsh?

A. Had passed the instruction, absolutely.

Q. And to your knowledge did you provide General Powell with a copy of your MFR of 25 February?

A. I believe I did... Well, this may be leading a witch hunt but I'll mention it, anyway -- unless, I dreamt it. But I was of the impression, that following this discussion that went on in the Secretary's office that General Art Brown, the Director of the Army Staff, sent a memo to Powell addressing the very same issue.

However, when I was later asked about this, I said there's a copy down in my office. And my recollection is that Powell is the guy that showed me the memo, and I recall saying to him, "General Brown didn't mention this to me," but nobody seems to be able to find that memo.

MR. SAXON: Well, sir, you are correct. You didn't dream that, and General Brown did write such a memorandum, and it went to General Powell and we have a copy of it. General Brown now has a copy; it was used as an exhibit in his deposition last week.

WITNESS: Okay.

MR. SAXON: So you aren't imagining things. Let me say since you brought that up, I do not intend to use that as an exhibit, so I don't have it in front of me, although, it's here in the office.

BY MR. SAXON:

Q. Did General Powell ever tell you what he did with that memorandum from General Brown?

A. No.

Q. So you had no knowledge that he put a cover memo on it and gave it to Admiral Poindexter?

A. No.

Q. All right, sir. Were you ever apprised at any point, subsequent to this discussion with General Powell, and, possibly providing him with your memorandum of record on 25 February; did General Powell ever get back with you and tell you, that the Congress had been notified?

A. No.

Q. Did he ever tell you that the agency was in the process of making notification?

A. No.

Q. Were there any other discussions to which you were a party on the issue of Congressional notification?

A. Yes, General Powell was also in the course of transition in the May time frame and I forget the --

Q. To leave his position as the military assistant?

A. To leave his position, and being replaced by Vice Admiral Jones. And I recall mentioning to Admiral Jones the Army's concerns with regard to the notification -- not clear in my mind whether it was shortly after he came on board, which at that time, we were starting to work the spare parts issue for the Hawk. And I took that occasion to mention the notification requirement either on the Hawk, specifically, or on both -- the TOW, to give him some background on the Secretary's personal concerns with regard to the whole issue of notification, but I recall mentioning that to Admiral Jones, specifically.

Q. Now you said earlier you were dealing with [redacted] on [redacted]erage of about once a week; is that correct?

A. Yeah, I think --

Q. And you had some dealings with [redacted]

A. [redacted] not with regard to the TOW, but with regard to the spare parts.

Q. And did you ever have any dealings yourself with [redacted]

A. Yes, I met him personally once, and at that time, come to find out that we had served together when

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he was on active duty some years ago when I was in Germany, the time frame '76-78.

Q. Did you ever have occasion to mention to either or any of those three gentlemen the issue of Congressional notification?

A. No.

Q. You never asked them: "Hey, are you guys telling the Congress about this?"

A. No.

Q. Did you ever reference in anyway the discussions that you had, or the memos that had gone forward to General Powell on this issue?

A. I don't believe so.

Q. Did they ever say anything to you that would indicate that they had been aware that the Army had been pushing upward on this issue, and that you were creating any problems for them or "get out of their hair," or whatever?

A. I don't believe so.

Q. They never said anything like that to you?

A. I don't believe so.

MR. SAXON: Anybody have anything further on Congressional notification?

MR. GENZMAN: Not I.

MR. KREUZER: No.

BY MR. SAXON:

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Q. All right, if you would then, general, pick up with project Crocus and tell us about the Hawk repair parts?

A. Let's see... Yeah, on the 9th of April, I got a call from General Peay -- that's spelled P-e-a-y.

Q. Who was he, sir?

A. He's the executive to the Chief of Staff of the Army, General Wickham. Benny left word for me that the Chief wanted to see me and as soon as I returned to get with the Chief. And so when I returned to the office I had the message "Call General Peay," and he asked me to come down and meet with him to go see the Chief. So I did that. We went to meet the Chief and he was then in the -- I don't know what the room is called -- but it's the tank portion of the Joint Chiefs of Staff area, and attendance at that meeting was General Wickham, General Peay and I.

General Wickham told me that -- he asked me how the TOW project was going and I told him. "You know, it's on again, off again. We're not getting the money," and so on. But the first shipment was made, there was a thousand missiles, and we were waiting for further notification.

He says, "Well, I got another project for you, the same kind of a project with the agency. Secretary Taft has advised me that we are to provide

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spare parts -- Hawk missile spare parts.

Q. That would be Deputy Defense Secretary William H. Taft, IV?

A. Yes. That we were to provide spare parts for the Hawk to the agency, and that I was to make contact with the agency and work the project the same way we worked it before.

Q. Did he indicate that it was a follow-on or connected to the the first one?

A. No. He did say to handle it the same way we handled it before -- that was to say, minimum involvement of people and minimum paper, but not necessarily connected to the previous action.

Q. Did he give you the name of anyone in particular as your point of contact with the agency?

A. No, no, but I called [redacted]

Q. And how did you know to call him?

A. Well, he's the guy I worked with on the TOW, and so since we were doing it the same way we did the other one, I guess, I just stumbled into [redacted]

Q. And did you call him?

A. Yes, I did. And he told me that a [redacted] would be over to see me ... and, I think he said "today -- later today," and I believe, [redacted] actually showed up the next day. [redacted] came over and had with him a listing of items. I believe, there were 234 items on that list of spare parts that were needed for the Hawk.

And he asked us if we could run that out for him in terms of our being able to provide that support. I had Simpson come up and introduced them to each other. I don't believe Simpson knew [redacted] and told Simpson, "Let's get on with the project." So Simpson did --

Q. Before you go further, did this list have prices on it?

A. I'm not sure. I think they did, but I'm not sure... I just don't remember.

Q. Were you told that you were using the Economy Act on this transfer or was that just assumed?

A. No, I just assumed we would be doing it the same way.

Q. All right, what does Major Simpson then go forward and do?

A. He then got together with AMC and used them because there seemed to be multiple centers involved and DLA, I might add, and so he used AMC headquarters to sort of coordinate what the availability was on the items, and I remembered getting one out at that and it showed that we were in trouble on several of the items. It showed that we had some difficulty in identifying several of the items.

And so I asked Simpson -- I don't believe he had it on the first cut -- and I asked him what's the usage of the items? and what was the procurement for the items? and, of course, several of the items were at zero balance.

Q. Do you recall how many in particular?

A. No, but I'm sure I got them in my notes someplace and I think it's in the chronology, but I don't remember.

But in any case, he came back and showed me the shred-out of each one of those items, and the condition and posture that we were in. The ones that we were not able to identify we asked through him, the agency -- I believe, he was dealing with [redacted] at the time -- if they could better identify the items.

And I believe, he or I asked the question -- he probably did because I don't think I talked the specifics to [redacted] -- asked about the kind of missile we were talking about; because the Hawk was in an upgraded posture -- that is, the improved Hawk. So it was relevant to try and find out what kind of a Hawk missile we were talking about so that we might be able to help in the identification process.

And my recollection says that we were told, "Don't worry about it. Just pay attention to the items that we've asked you to provide." So we did that.

In looking at the list AMC did take some actions and, I remember one, that had to do with some kind of brushes on a generator. The generators were tied up for deadline -- for maintenance. They weren't going to be upgraded through maintenance for some time; there were procurements that would bring the brushes into the inventory in time, when they did the maintenance. So those brushes were taken off the generators. Of course, they were good brushes, and brushes were on that list of repair parts in order to meet the requirement.

So ... looked at all of that stuff and disallowed some. I don't remember how many and the rest, we provided to them.

Q. Let me go back to something I asked you early on and that is, you've just used the language you "disallowed some." That would mean, there were certain items you identified as being in critically short supply and, therefore for readiness reasons, the Army would not provide them to the CIA?

A. Yes.

Q. Do you recall any subsequent discussion at all from the agency indicating they wanted them anyway?

A. No, I don't remember, at least, not with me.

Q. Let me give you a couple of specific figures and see if you recall these figures in terms of readiness impact: That of the 234 repair parts there would have been 43 items that would have been in some state of significant depletion. Does that ring a bell?

A. The number "43" doesn't. But I would say, that it's in that range, that I would have recalled - between those that were below the fifty percent marker; those that were at zero balance -- yeah, I would say --

Q. I'm sorry. 46 would be the figure?

A. Yeah, that's a ballpark.

Q. And that would breakdown this way: That there would have been 15 items for which there would have been one hundred percent depletion; 11 items for which there would have been greater than fifty percent depletion; and, 20 items for which there would have been less than fifty percent, but still not be categorized as significant depletion?

A. The numbers seem to be about the right frame.

Q. And you had in front of you, I guess, data which indicated what? other than this. I understand that a readiness decision has a lot of other factors. What went into your decision?

A. What the usage factor was -- that is, how many have we used in the past year? If we got five, and we only used one -- you know, no big deal, even though, that's below the level that we'd like to have on the shelf. How many do we have in from procurement? When are they due in?

Q. In the pipeline?

A. In the pipeline, against the usage and the stockage so those were the factors. Really, the usage; the on-hand quantity and how much was due in from procurement and when it was due in, that sort of pushed the judgments that I made with regard for the odds -- okay, to let it go or, no, we can't let it go.

Q. All right, general, let me ask you this for the record because I think people will want to know:

In your best professional judgment as a career Army officer and as a logistics man, was there any significant, adverse readiness impact from the Army's stand-point to transfer those parts to the CIA?

A. No.

Q. Okay, sir. Were you involved in the decisions with regard to the Hawk radars? the two Hawk radars?

A. I was involved in discussions with them. One -- the subject came up, I believe, through Major Simpson and I remember -- I'm pretty sure, I talked to [redacted] about this in which, I told him that those were major items.

Q. End-user items as opposed to parts?

A. Yeah. They were not in the same context as spare parts are, and I was concerned that we didn't have some paper on this one.

Now whether I was conditioned by the discussion that I had had with the Secretary vis-a-vis the notification, I don't know why I did that -- but anyway, I said it wasn't on the list. It wasn't the instructions that I had gotten with regard to what we were to transfer and it may be necessary for him to send that over on a piece of paper.

Having said that -- that is, if they wanted them. Having said that, they asked us to determine in any case, the availability, which was not an unusual kind of request -- availability and cost.

We found that there were two available of the type that they had asked for up at Letterkenny, but we weren't sure of the condition of them. We did find out, however, that they were tied up in a hold, a freeze, because they had been -- I forget what it was -- it must have been an FMS case with Iran going back several years.

Q. These were part of the Iranian frozen assets?

A. Yes.

Q. And the two you located you said at Letterkenny, that's Letterkenny Army Depot?

A. Army Depot, yes. And we located those two and they asked us what the condition was and we told we didn't know. But since they were in a frozen posture, if they wanted us to go test them or something, it would cost them a few dollars.

Q. Did they come up with the money for testing?

A. They come up with the money.

Q. And were they tested?

A. The number around $24,000 or $30,000, something like that. We tested them and found out that, essentially, they couldn't be either usable or put into a usable condition.

However, in the course of doing that, Simpson who was an aggressive guy, went to find out how in the hell do we release? -- or get a release from the freeze? And I guess he talked to God and everybody else and, that sort of got back to the agency, and I got a call saying, "Hey, what the hell's going on?"

"Well, you guys asked us to find out the condition and availability, and pursuant to that, knowing that we're not going to give them to you until we get something from you in writing, we still wanted to tell you whether they were going to be available or not. So we've been making these contacts -- Simpson told me that.

Q. For the record, Major Simpson understood this was sort of a close-hold, no-notes kind of operation; is that correct, sir?

A. Yes, absolutely.

Q. But he went -- if I understand his testimony and this issue -- he went to various people because he was told, that if these were to be released there is a process, an interagency process -- that you have to get approval from various agencies like State and Treasury- and so forth; is that correct?

A. Yes.

Q. So he went to various representatives of those agencies as a means of finding out if, in fact, these radars could be released as part of the assets?

A. Yeah, I don't know whether he dealt on the specifics of the radars or just how do we get release on frozen assets. That's a specific I'm not clear on. But in any case, the agency -- and I forget who the hell it was that called me -- called me to sort of say, you know, "enough of that; are they in good shape?" and so on. "If anything else, we'll take care of that." So we gave them the results of the test and that's where it stopped as far as my recollection.

Q. With the radars?

A. Yes.

Q. General Russo, what happened next in terms of the Hawk repair parts?

A. Then we received the... Well, I should mention that long about and shortly after we got through the list, because we were, again, in an on again, off again kind of situation, Simpson thought it a good idea, to consolidate all of the Army items because they were coming from multiple locations, at one place.

Q. Pre-position?

A. Pre-position them. So we staged them at Red River Army Depot which is near Texarkana in Texas. As I recall, that consolidated that stuff out of five depots, Army depots, and we left alone one group of items that were coming as I recall from the Tinker Air Base, and one group from DLA because we felt those were one origin so we didn't have to really pre-position those. We could move them quickly enough.

And so we did tell AMC, the Army Materiel Command to stage those items at Red River. We sent out a message to that effect and they made that happen.

And then around the 8th of May is when I spoke to Admiral Jones.

Q. Was that your first involvement with him after General Powell had left?

A. I believe so. But I remember Powell telling me Jones was coming in -- but the timing on it, whether I talked to him before the 8th of May or not, I'm not clear on. But I know that I did talk to him on the 8th of May. I told him what we were doing on the Hawk; told him what we were doing, and what we had done, and doing on the TOW missiles, and told him about the notification requirement.

And shortly thereafter, on the 16th of May we got the release from the agency to ship the items to the Kelly Air Force Base. And our understanding was that they would go to Kelly, and then be transhipped from Kelly [redacted] and, again that's where our visibility or destination sort of dropped.

Q. Did there come a time when Major Simpson told you he had tried to find out where the TOWs and the Hawks were going?

A. I believe he may have said something like that and his answer was, continuously, he wasn't finding out anything.

Q. Did you ever ask him to try to find out?

A. I don't recall that.

Q. And as best you know, in terms of the chronology and your involvement, does that complete it on TOWs and Hawks?

A. Yeah, as far as direct involvement, yes.

MR. SAXON: Okay. I've got some general questions, but I don't think I've got anything specific that flows from the chronology. Anybody else?

(No responses from counsel.)

BY MR. SAXON:

Q. All right, General Russo, I asked you from the outset, if knowing the destination would have caused you to do anything differently. Would there have been any set of circumstances in these transactions that would have caused you to sort of stop and step back and say, "Hey, what's going on here?"

A. Well, you know, I guess ... that's speculation. I would say, first, you asked me about the legality early on, and I told you, as far as I knew there was nothing illegal, other than the notification issue.

Had I known it was illegal, I think, I would have gone back and told Thurman that -- but I don't know that because again, I had a great deal of confidence in his wanting to support how to do things right.

And having said that, I'm reminded of what Powell told me: "That Weinberger said, 'Do it in accordance with the law.'"

So I guess if I knew that it was illegal, I think I would have gone back to Thurman and said, 'Do you know that?' But that's, again... I didn't know if it was legal or illegal; we raised the notification to what appeared to be the right levels. So I guess, that's as much as I can...

Q. Okay, the next question deals with the distinction between a requirement imposed on the Army, and a request to the Army. We've heard in the course of many interviews and discussions and depositions, that certain folks at the Army, viewed this as a "requirement" being imposed on them or a mission given to them from on high, in the Secretary of Defense's office, as opposed to a "request" that sort of comes laterally into the Army from the CIA; is that the way you would have viewed this?

A. Clearly, on the TOW I viewed that as a requirement. The spare parts I would view that as a requirement, minus, or a request, plus.

And, I guess, only because they sort of asked us -- you know, "What's the availability?" kind of a thing.

The other one was not a question of, "Is it or isn't it? Can you or can't you." It was you know, "Go do it" -- at least that's how I interpreted it.

Q. But on the Hawk repair parts the order came not from an Army aide to the Secretary of Defense, but the Deputy Secretary and, it came not to you, not from General Register, but from the Chief of Staff of the Army?

A. Yeah... But if I were to draw the analogy:

When Powell told me that the Secretary said, you know, "Do it within the law and keep the Army whole," that said to me, implicit or explicitly, Weinberger had authorized the transaction. I mean so, if anything, Taft is one step down.

Q. Okay, is this -- or either of these transactions, TOWs or Hawk repair parts, a matter over which you felt the Army had discretion, as to whether you made it or not?

A. No.

BY MR. KREUZER:

Q. Sir, when General Powell said, "Secretary Weinberger said, 'do it within the law.'" What law did you take that to mean?

A. Ahh...

Q. Anything in particular?

A. Nothing particular. Just, specifically, don't do something illegal. And that goes back to the comment that I made earlier with regard to the -- if I might use "Yellow Fruit" without knowing, really, the specifics of Yellow Fruit; but the whole notion that I had been working with for about a year-and-a-half that, we, apparently, we were on the throes of doing things -- if we didn't do things illegally -- they sure as hell were pretty close to being illegal.

So it was against that backdrop that the caution that Powell was giving me from the Secretary was the context in which I was placing this.

Q. So would you say that, possibly, that General Powell was implying that you should go to your General Counsel or your general counsels in the Army to make sure that this was a legal transaction that you were following?

A. I guess you could imply that.

Q. Did you get that impression?

A. Not specifically -- non-specific terms, at least I didn't read into it that. As they say, perhaps, I should have, but I did not read that into it at the time. I did not.

But in the course of events with the General Counsel's office having been involved with that, within a couple of weeks after the -- well, almost the same week -- when we were talking about the Economy Act, I guess, I really didn't penetrate that very far.

BY MR. SAXON:

Q General, did you ever have any dealings yourself with Chris Leachman at Redstone?

A. No.

Q. No discussions with him on pricing issues?

A. No.

Q. A question about the [redacted] System. As you understood it, when [redacted] was created and [redacted] was tightened up in late '84 under the direction of General Thurman, which you've already addressed; was it your understanding that it was to be the exclusive means for handling sensitive transfers to other agencies from the Army?

A. Yes.

Q. Did you know whether the procedures governing the administration of the [redacted] System contemplated any exceptions to it?

A. I did not know that.

Q. But I'm not suggesting there are, in fact, as I understand it there are not. So would you --

A. I would say that there were not going to be exceptions.

Q. In any of your dealings on Snowball or Crocus did you ever have occasion to deal with, personally, directly, with anyone on the National Security Council staff?

A. No.

Q. That would include Colonel North?

A. No.

Q. That would include Admiral Poindexter?

A. No.

Q. Let me ask you a question or two about the Department of Army IG after these matters became public and then the subsequent GAO report. The DAIG identified three areas on a discrete pricing decisions that the Army made, in which the decision made by the Army was lower than later determined it should have been, and the GAO agreed with those three, and added one more and, in fact, the GAO report said that the pricing decision on the I-TOW, for the I-TOW downgrade; the basic TOW price; the cost of the HOIC and the shipping and handling costs were all too low. Is there anything you find unusual about that? or coincidental? or is that just the way it came out?

A. Well, firstly, I don't know what the IG report said.

Q. You've not seen that?

A. No. I have access to my testimony but that's all I have access to.

Now with regard to the GAO report as I recall I saw that, and one thing that impressed me was that, there were varying opinions. And so all I can say is, guys -- as I think, I may have mentioned to you before, I probably screwed up on this one.

Now, but at the time that we were working it, there weren't too many smart guys around, and, several months later, that didn't increase by very much...

So yeah, I probably screwed up. I would hope that -- going back to Powell's comments from the Secretary -- I would hope that the Army would send the right kind of a bill over to the agency. Whether they pay it or not? It's another matter.

Q. Do you have any knowledge yourself of whether the Army -- MICOM, has in fact been made whole in the sense, that it has been paid and reimbursed? and monies have been

A. I don't know. I know that now that I'm in DLA, we needed to provide the data on cost and so on to the Army as part of the total billing.

And I know that they were pushing the hell out of us to make sure that they got all of our costs here about -- I want to say three months or so ago -- but I don't know whether any bill has been ... either that MICOM has been reimbursed.

I'm pretty sure that we had the money from the agency for the first shipment. I'm now pretty sure that we did that.

But for the second shipment and for the costs incurred in putting the rest of the missiles together and the transportation charges and so on, I just have no knowledge where that is.

Q. Were you ever made aware as you were working the TOW requirement, that through the appropriations process there is spelled out a set number of TOWs which can be procured by the Army during a particular year, and that in 1986 there was a set number of TOWs, beyond which the Army could not have gone in replenishing any TOWs it shipped to the agency?

A. I don't know the specifics but, usually, on the procurement account you have sort of three years to buy those missiles. So I would just have imagined, that while there would be, certainly, in the budget, a line number of missiles, that I would think that --one; that they could put that money that they had recovered from the agency against that requirement and attempt to reprogram anything above that number.

But given the relative costs of what we were getting for what we in fact were paying, I don't know where that would have led us, very frankly.

Q. But you don't recall this issue ever being addressed?

A. No, absolutely not.

Q. Were you involved at all in any discussions about whole Hawk missiles for Israel or Iran?

A. No, for neither place. Because we never talked about a destination. I must say though, that I was in the Pentagon from 1980 to '82 and, from '81 -- late '81 to mid '82, I was the Director of Supply and Maintenance. So I would have had the job of talking about these kinds of actions with the agency and I don't remember it during that period.

In a subsequent tour -- that is, from '84 to '86 the FMS world went through me. So I would have seen FMS cases to Egypt and to Israel. And I simply, don't recall during that period of time, FMS sales to those two countries. But there could have been a time when that happened in my tenure where Register may have signed off on it, because I wasn't around or something like that. So I wouldn't have been in the chain on that one.

Q. When you said "Egypt" did you mean Iran?

A. Yeah, I meant Iran.

Q. To go precisely to the late 1985 time frame, were you aware of any discussions about shipping Hawk missiles to Israel or to Iran?

A. No.

Q And in late 1985, before you were approached by General Register and had a discussion with General Powell around January 18th of '86, in late '85 were there any discussions you were a party to, with regard to TOW missiles to either Israel or Iran?

A. For sure, Iran, no. Israel, I don't recall. I might say that this is another question that I'd say "let's get together in the same room."

Q. I believe, when we interviewed you before, at least my notes reflect that you told us at one point, very early on, you might have provided the figure of $6,000 to [redacted] as a price that would have included the basic TOW, plus MOIC upgrade and ancillary costs. Does that sound correct?

A. Yeah, it may well have been. I just don't remember the "$6,000" but it may have been. And the reason it may have been around that was the uncertainty of what the ancillary costs were going to be, and, certainly it was going to be above the $3,500 for the missile itself. I just don't recall the $6,000.

Q. General Russo, to the best of your recollection did you give anyone -- anyone with the agency, General Powell, or anyone else the figure of $6,000? And if so, do you have any idea where you might have gotten it?

A. The only way I can come up with that is:

(a) I may have given that figure. I don't recall it, but I may have given the figure.

Certainly, we were asked to come up with a figure, and we were trying to determine what the missile costs were that seemed to be about $3,500 and the question was: What were the additional ancillary costs that needed to be added to that?

And there was a good deal of uncertainty about how much that would amount to. And so we may have come up with a $6,000 figure and I may have given that, but I don't recall.

MR. SAXON: I would like to introduce two more exhibits into the deposition. The first one I'll ask be marked Deposition Exhibit No. 3, and I'll give you a copy of this and give you a moment to look at it, sir.

(Whereupon, Deposition Exhibit No. 3 was marked for identification.)

BY MR. SAXON:

Q. Have you had a chance to look at that, sir?

A. Yes.

Q. Do you recall having seen this before?

A. Yes.

Q. And it purports to be a memorandum for record dated 24 September '86 by Vincent M. Russo. Is that your signature at the bottom, sir?

A. Yes, it is.

Q. And what can you tell us about the circumstances of this memorandum?

A. It's a little hazy but, I guess, it came up... I was on a visit down in Fort Eustis and I happened to be talking to the DCSLOG's office, and somebody mentioned in passing, that they were trying to get in touch with Major Simpson. And I said, "What the hell's that all about?"

"Well, there's some things going on with regard to his involvement here."

And I said, "Well, geez, he's out at" -- what the hell's that place? out in Colorado -- "Fitzsimons Army Hospital." I said, "Surely, you can get in touch?"

"Well, we're having a problem."

I said, "Okay" so I hung up the phone, and it sort of bothered me that they couldn't get in touch with him. So I called out there and I told Simpson he ought to get in touch with the DCSLOG's office. They ran him down for me.

So it must have been after I got back from that trip that I asked, you know, "What the hell's going on?"

Well, it seems to me that, that was the course that said: (a) We need you to tie down who you talked to with regard to this project.

Q. "This project" being Crocus?

A. Crocus. And so as a result of that, I made up this piece of paper.

And where it came up to the 9th of April, it seems to me that I asked, when was it that the Chief was in the tank and, somehow we reconstructed the 9 April date; and I knew that next day was when I had talked to [redacted] and they had some documents down in DCSLOG, and I think it was Simpson's handwritten notes that gave me the further detail to put in here.

I couldn't figure out -- the reason I have "on or about 21 April" on General Thurman was he was out of town, and that's the first day that I could tell that I could've gotten to him. I remember talking to him in the hallway on that project.

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Q. So this is basically, a memorandum for the record in which you recount for Crocus, essentially, what you had done with the earlier exhibit for Snowball?

A. Yes, except this one, sort of was focused on some things that were not in the chronology, and was not clearly articulated, particularly, who I had mentioned the status of the project to.

MR. SAXON: All right, sir, the final exhibit I'll give you and give you a moment to look at that, and have this marked as Deposition Exhibit No. 4.

(Whereupon, Deposition Exhibit No. 4 was marked for identification by COL Wallace because of its TOP SECRET classification.)

BY MR. SAXON:

Q. Have you had a chance to review that, sir?

A. Yes.

Q. Have you ever seen this before?

A. No.

Q. All right, it is a memorandum for the record on the subject of Crocus. It is dated 1 December 1986, and it's been prepared by Colonel John W. MacDonald, I believe, that's the gentleman you referred to earlier

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as the Chief of TMO at the time?

A. Yeah.

Q. It appears to be, a bit of chronology from Colonel MacDonald's standpoint about Crocus, and there-are two points I want to ask you about:

(1) In the last paragraph where Colonel MacDonald states:

> "The consistent view of DoD, not the Army, has been that DoD has no responsibility for notification of Congress of materiel transfers, and that that responsibility falls on the requester, recipient of the of the materiel."

And is that an accurate statement as far as you understand?

A. I'm really not sure of that, certainly, the Army felt that way. Whether DoD felt that way, I really can't say.

Q. But as I understand it, Colonel MacDonald, would not himself have had any dealings with DoD; that would have been something you would have done.

I guess, while I'm not asking you to vouch for or agree with Colonel MacDonald, I'm trying to get a sense of whether the Army felt that, beyond the view that the CIA should be the one to notify Congress; if

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there was any difference between the Army and the Department of Defense on this issue?

A. I don't believe there was a difference. I just can't tie that down, but I believe we were in agreement as to who had the responsibility.

Q. All right, sir. In the second paragraph, Colonel MacDonald indicates that you had informed him of the tasking on Crocus and sought out his views. He makes a statement:

> "Major General Russo expressed concern then and throughout the transaction with the legal ramifications of the transfer."

And he goes on to say who you might have discussed that with. What can you tell us about that?

A. I think that it was more a question on, who has the responsibility to go do the notification. Are we still on the same -- you know -- on the same guidelines.

Q. Okay, I wanted to make sure that, that's what your sense was you conveyed to Colonel MacDonald; that whether the law required notice to the Congress as opposed to whether this action was illegal, and you were saying it would be the former?

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A. Absolutely.

MR. SAXON: General, I believe that's all I've got. Let me see if my colleagues have anything.

COL WALLACE: We're in a bit of a time bind..

MR. GENZMAN: I have nothing.

MR. SABA: General, I'm sorry. I did have a brief line of questioning, just to straighten out the record.

BY MR. SABA:

Q. Could you tell us in your own words, who has interviewed you since these events have become known? Just to get a chronology of various investigations and create a record, because when our members read these transcripts, I want the record to show that you've had prior interviews and testimony, if you can recall.

A. Certainly, the Department of the Army IG representatives.

Q. And that included a deposition; did it not?

A. Yes. Well ... wait a minute. I don't know for sure, I don't think so. They swore me but they didn't come back and get my John Henry on anything that I recall. If that's what a deposition is?

Q. It was a sworn statement?

A. It was a sworn statement, yes.

Q. Apart from the DAIG's report have you provided sworn statements -- or have you been -- how

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many people have you actually -- just apart from the DAIG?

A. Well, let's see ... I think, there were members of the FBI; I think there were members of the -House Armed Services Committee; we had a discussion; GAO came over. I think that's it, those four.

Q. In addition to the DAIG report to what other government officials have you provided either testimony or information in connection with these matters?

A. The Federal Bureau of Investigation; the House Armed Services Committee; and the General Accounting Office.

MR. SABA: All right, thank you very much.

MR. SAXON: General, let me just say for the record on behalf of both Committees, we thank you for your time today. We thank you for having met with the staff of the Senate Committee, previously. You've appeared here voluntarily and your testimony has been very helpful.

WITNESS: Thank you, sir.

(Whereupon, at 3:55 p.m., Tuesday, June 16, 1987, the taking of the instant deposition was concluded.)

* * * * *

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ACKNOWLEDGEMENT OF DEPONENT

BEFORE THE CONGRESS OF)
THE UNITED STATES OF AMERICA)

I, VINCENT M. RUSSO, do hereby acknowledge that I have read and examined pages _____ through _______ , inclusive, of the transcript of my deposition and that:

,Check appropriate box.:

/___/ the same is a true, correct and complete transcription of the answers given by me to the questions therein recorded.

/___/ except for the changes noted in the attached Errata Sheet(s), the same is a true, correct and complete transcription of the answers given by me to the questions therein recorded.

_____________________________ _______________
VINCENT M. RUSSO (Date)

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REPORTER'S CERTIFICATE

I, Robert S. Kass, verbatim reporter for the United States Army Inspector General Agency, do hereby certify, that this is a true and accurate record of the testimony of the aforementioned deponent, and that the instant testimony was reported by me by stenomask; and that this recordation was thereafter, transcribed by me and was prepared by me, to the best of my ability; and, further, that I process the requisite security classification with regard to the exhibits contained herein.

Robert S. Kass

ROBERT S. KASS
DAIG-IN, Reporters Section
Room 1E744, Pentagon
Washington, D.C. 20310-1722
(202) 695-6829

1 July 1987
(Date)

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13 Feb 86

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2E560

DEPARTMENT OF THE ARMY
OFFICE OF THE GENERAL COUNSEL
WASHINGTON

13 Feb 86

MG Russo DCSLOG.

has seen — provided to Maj Simpson [illegible] 24/2

Concerning our conversation last week, we decided to ensure that Secretary Marsh was aware of the provision you and I discussed. Hence, the attached was delivered today.

Tom Taylor
x 50562

~~[illegible]~~ Declassified/Released on 26 JAN 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

5669

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VMR
EXH 1
(Page 1)

DEPOSITION EXHIBIT No. 1
(page 1 of 2 pages)
WITNESS: LTG V.M. RUSSO

D 2916

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REPLY TO
ATTENTION OF

13 FEB 1986

MEMORANDUM FOR THE SECRETARY OF THE ARMY

SUBJECT: Support to Intelligence Operations

During a recent review of an issue in our office, we noted a significant provision in the Intelligence Authorization Act for Fiscal Year 1986 that we wanted to call to your attention.

During Fiscal Year 1986, the transfer of defense articles or services exceeding one million dollars by an intelligence agency to a recipient outside that agency is considered a significant anticipated intelligence activity for the purpose of reporting to Congressional intelligence oversight committees. In addition, an intelligence agency may not transfer any defense articles or services outside the agency in conjunction with any intelligence or intelligence-related activity for which funds were denied by the Congress.

These provisions appear to reinforce our view of the importance of Congressional notifications in connection with support to intelligence operations.

[redacted] Declassified/Released on 26 JAN 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

Susan J. Crawford

Susan J. Crawford
General Counsel

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N.B. In discussion with Mrs Crawford today, she advised that where we support another agency, they -- not we -- are responsible to make the necessary notifications.
VMRusso
13 Feb 86

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VMR

EXH 1
(Page 2)

DEPOSITION EXHIBIT No. 1
(page 2 of 2 pages)

WITNESS: LTG V.M. RUSSO

25 Feb 86
D 2918

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OFFICE OF [illegible] LOGISTICS

DALO-ZB 25 Feb 86

~~eleased on ________~~
~~ions of E.O. 12356~~
~~National Security Council~~

MEMORANDUM FOR RECORD

SUBJECT: Support for Intelligence Activities

Partially Declassified/Released on 26 Jan 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

1. (S) On 18 January 1986, The Army was tasked to provide support in terms of 3504 (later increased to 4509) missiles. The task was to turn these items over to the receiver at Redstone Airfield. Use and destination was unknown. The task would be executed upon receipt of certification of funds by the receiving agency.

2. (S) The first phase of the task, delivering 1000 missiles, was not executed until 13-14 Feb 86, due to initial delay in certification of funds by the receiving agency.

3. (C) During the course of coordination with OSD (MG Powell) and OSAGC, questions were asked as to the responsibility for end item usage. This was identified as a responsibility of the receiver.

4. (C) On 7 Feb 86, the new law (The Intelligence Authorization Act for Fiscal Year 1986) which required Congressional notification, in certain circumstances, became known. Coordination was accomplished with the Office of the Army General Counsel (OSAGC) as to the Secretary of the Army's responsibility. This was determined to be a responsibility of the receiver, not the Secretary of the Army. This position was later confirmed by the Army General Counsel.

5. (S) The notification requirement, while clearly to be satisfied by the receiver, places the Army in a difficult position. We believe the notification must occur, and as the provider, believe the receiver must be advised that notification is the responsibility of the receiver, and must be accomplished. I have discussed this with the Office of the Secretary of Defense; they have assured me--and asked that the Secretary of the Army be assured--that the receiver is fully aware of its reporting responsibility.

Vincent M Russo
VINCENT M. RUSSO
Major General, GS
Assistant Deputy Chief of
Staff for Logistics

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Coord with
Gen Powell on 5 Mar 86
VMR
5 Mar 86

VMR
Exh 2
(1 page)

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DEPOSITION EXHIBIT No. 2
(1 page)

WITNESS: LTG V.M. RUSSO

~~SECRET~~ UNCLASSIFIED [redacted]

DEPARTMENT OF THE ARMY
OFFICE OF THE DEPUTY CHIEF OF STAFF FOR LOGISTICS
WASHINGTON, D.C. 20310-05

DALO-SMS-LA/19:CRU.MFR

24 Sep 86

MEMORANDUM FOR RECORD

SUBJECT: ODCSLOG Support for Project CROCUS (U)

Partially Declassified/Released on 26 Jan 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

1. (S) This MFR is intended to record ODCSLOG and my involvement in the subject Project. The project is in support of the Central Intelligence Agency.

2. (S) On 9 April 1986 I was called to meet General Wickham (CSA) in the "tank" at CJCS. I did so at 1440 hours. He informed me that the Dep Sec Def (Mr. Taft) had advised him of a requirement to support the Agency. This requirement involved some 240 spare parts for the Hawk missile system. The CSA requested I pick up the action with the Agency. Accordingly, at 1520 hours I made initial contact with [redacted] (Agency).

3. (S) On 10 April, at 1000 hours, [redacted] (Agency) visited with MAJ Simpson (ODCSLOG Action Officer) and myself. [redacted] provided a list of 238 items. The chronology of events subsequent to this point, are as outlined in MFR, file cite: DALO-SMS-LA/18:ME.7Aug, dated 7 August 1986, subject as above, with the following exceptions:

a. (U) 11 April 1986. Advised BG Peay of status.
b. (U) 16 April 1986. Advised LTG Brown (DAS) of actions and status.
c. (U) 18 April 1986. Advised CSA on status.
d. (U) 18 April 1986. Advised BG Cavezza of status.
e. (U) o/a 21 April 1986. Advised GEN Thurman that we had an action on Hawk spare parts similar to the action on TOWs.

VMR
Exh 3 (1 page)

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Vincent M. Russo
VINCENT M. RUSSO
Lieutenant General, GS

DEPOSITION EXHIBIT No. 3
(1 page)
WITNESS: LTG V.M. RUSSO

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EXHIBIT R-2

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DECLASSIFY ON: OADR

no date

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* *

THIS DOCUMENT IS CLASSIFIED TOP SECRET, AND THEREFORE, REMAINS IN THE POSSESSION OF COUNSEL WHO POSSESS THE REQUISITE SECURITY CLEARANCES.

* *

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DEPOSITION EXHIBIT No. 4
(1 page)
WITNESS: LTG V.M. RUSSO

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HSITS 148 /87

DEPOSITION OF

MR. NESTOR SANCHEZ

COPY NO. 1 OF 2 COPIES

The deposition hearing convened at 1000 hours, 28 August 1987, in room 3E988, The Pentagon, District of Columbia.

PERSONS PRESENT

MR. NESTOR D. SANCHEZ, DEPONENT

MR. EDWARD J. SHAPIRO, COUNSEL FOR DEPARTMENT OF DEFENSE

MR. JOHN SAXON, ASSOCIATE COUNSEL,
UNITED STATES SENATE SELECT COMMITTEE
ON SECRET MILITARY ASSISTANCE TO IRAN
AND THE NICARAGUAN OPPOSITION

MR. JOSEPH SABO, ASSOCIATE COUNSEL, SELECT COMMITTEE

MR. ROGER LEE KREUZER, INVESTIGATOR
SELECT COMMITTEE TO INVESTIGATE
COVERT ARMS TRANSACTIONS WITH IRAN

Partially Declassified/Released on 20 JAN 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

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COPY NO. 1A OF 1 COPI

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MR. SAXON. Mr. Sanchez, what are your time constraints? When should you get away from here:

MR. SANCHEZ. I should get away from here a little bit before twelve. I have a twelve-thirty luncheon, and by the time I get out and get there, so if we could break up about ten of.

MR. SAXON. Then let's get rolling. Before we go on, let me just say we're going to cover pretty much the same territory we covered when Mr. Kreuzer and I and one of the other Senate lawyers interviewed you back in April, whenever it was. Mr. Sabo was not with us at that point. There are a few things that we have learned or documents that we have collected since then and so forth, but that is basically what we're going to be doing.

Would you swear the witness.

REPORTER. Do you swear that the testimony you are about to give in this hearing shall be the truth, the whole truth and nothing but the truth, so help you God?

MR. SANCHEZ. I do.

MR. SAXON. Would you state your full name for the record, please, sir?

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MR. SANCHEZ. Nestor D. Sanchez.

MR. SAXON. And what is your current employment, Mr. Sanchez?

MR. SANCHEZ. I'm retired.

MR. SAXON. And what date did you retire from the Government?

MR. SANCHEZ. On 28 February 1987.

MR. SAXON. At the time of your retirement, what was your position?

MR. SANCHEZ. I was the Deputy Assistant Secretary of Defense for Inter American affairs.

MR. SAXON. And you had been in that position since 1981. Is that correct?

MR. SANCHEZ. Yes.

MR. SANCHEZ. And prior to that, you worked with the Central Intelligence Agency for approximately thirty years?

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MR. SANCHEZ. Yes.

MR. SAXON. If you would, tell us what some of your assignments [redacted]

MR. SANCHEZ. I retired from the Agency in 1981, when I accepted the position at the Department of Defense. I was at that time the Chief of an area division. [redacted]

MR. SAXON. When you were the Area Division Chief at the Agency, who was your superior?

MR. SANCHEZ. The Director; the Chief of Operations. The DDO.

MR. SAXON. Mr. Sanchez, do you know a gentleman by the name of Rob Owen?

MR. SANCHEZ. I don't know him well; I've met him.

MR. SAXON. And what were the circumstances under which you met him?

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MR. SANCHEZ. Official. I'm trying to think. I don't believe that there was any time when I attended any meetings with him, so the appointment was really rather casual.

MR. SAXON. Do you recall a time in 1983 when he introduced to you a gentleman named John Hull?

MR. SANCHEZ. Would you elaborate a little on your question?

MR. SAXON. Mr. Hull is a native of Indiana who currently lives in Costa Rica and has a very large ranch there.

MR. SANCHEZ. In '83. No, I do not recall having been introduced to Mr. Hull.

MR. SAXON. Do you know John Hull?

MR. SANCHEZ. No.

MR. SAXON. And your best recollection is you never met Mr. Hull?

MR. SANCHEZ. That's right.

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MR. SAXON. Let me go to the subject of Felix Rodriguez and ask you if you know Felix Rodriguez by that name or by the name of Max Gomez?

MR. SANCHEZ. Yes. I know Felix Rodriguez.

MR. SAXON. And what can you tell us about when you first met him and how you first met him?

MR. SANCHEZ. I met him when I was still with the Agency.

MR. SAXON. Approximately when?

MR. SANCHEZ. Ten years ago; a very rough approximation.

MR. SAXON. When was the last time that you saw Mr. Rodriguez?

MR. SANCHEZ. I'd have to look up the date, but probably around the time that he went to El Salvador.

MR. SAXON. So, it was approximately February of 1985. Does that sound about right?

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MR. SANCHEZ. That sounds about right.

MR. SAXON. Did you see him up here before he went down?

MR. SANCHEZ. Yes.

MR. SAXON. Did he tell you what he was going down to do?

MR. SANCHEZ. Yes, to advise the Salvadoran Air Force on some helicopter operations against insurgency strong holds.

MR. SAXON. Did he tell you of any of the contra support activities he was planning on engaging in?

MR. SANCHEZ. No, we never discussed that.

MR. SAXON. Did you ever have such a discussion with anyone else, such that at the time he was going you would have been aware that that was part of the reason he was going?

MR. SANCHEZ. No.

MR. SAXON. Did you ever have occasion subsequently to learn that that was the nature of his primary mission there?

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MR. SANCHEZ. After we all found out about it, yes.

MR. SAXON. After these matters became public?

MR. SANCHEZ. Yes, that's right. Before that, no.

MR. SAXON. Did you ever have a discussion with General Gorman about Mr. Rodriguez and what his activities were going to be?

MR. SANCHEZ. Only when I found out that Mr. Rodriguez wanted to go down there to help, I advised General Gorman that this was taking place.

MR. SAXON. Did General Gorman.....At that point if this was contemporaneous with Mr. Rodriguez going down there, that would have been at a time when General Gorman knew that Mr. Rodriguez's primary mission was to pay the FDN. Did he ever make that known to you?

MR. SANCHEZ. No.

MR. SAXON. Before I go to some documents, let me go back and

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ask you if Rob Owen ever made you aware of the activities he was engaged in at the request and support of Colonel North to aid the Contra private resupply operation at that point?

MR. SANCHEZ. No.

MR. SAXON. Let me ask that these first documents be marked as Sanchez Exhibit 1. Here is a copy for you, and I'll let you take a few minutes to read that.

Have you had a chance to read this?

MR. SANCHEZ. I have not seen it before.

MR. SAXON. No, I'm sorry, have you had a chance to read it now?

MR. SANCHEZ. Yes.

MR. SAXON. The cover sheet is a memorandum to Ambassador Pickering from Colonel Jim Steele, head of the Mil Group in El Salvador, dated 1 February 1985, and it contains a cable, back-channel cable from Ambassador Pickering to General Gorman, which simply talks about the understanding for Mr. Rodriguez to come to

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El Salvador. It indicates, at numbered paragraph 3, and I quote, "Mr. Rodriguez has high level contacts at the White House, DOS and DOD, some of whom are strongly supporting his use in El Salvador." Unquote. Would you have any reason to believe that you would be deemed one of Mr. Sanchez's contacts at DOD.

MR. SHAPIRO. Excuse me, Counsel, I think you meant Mr. Rodriguez. You said, "Mr. Sanchez's contacts." I think you meant Mr. Rodriguez's contacts.

MR. SAXON. I'm sorry, Mr. Rodriguez's contacts. Would you have been in the category of someone who supported his use in El Salvador?

MR. SANCHEZ. Well, I don't know if I could be considered as high level, but yes, I supported his use.

MR. SAXON. To whom did you make that known?

MR. SANCHEZ. To Don Gregg when he wanted to recommend him to the Salavadorans and to General Blandon. I had never worked with Mr. Rodriguez, but I had heard of his expertise in this type of operation, which is something that we had been discussing as useful in Salvador and here was the opportunity to have somebody

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advise and train the Salvadorans.

MR. SAXON. And did you talk with General Blandon personally?

MR. SANCHEZ. Yes.

MR. SAXON. At that time did you in any way discuss whether Mr. Rodriguez would have other duties, meaning helping the Contras in any way?

MR. SANCHEZ. No.

MR. SAXON. That General Blandon would raise that issue with him?

MR. SANCHEZ. No.

MR. SAXON. Let me have you look at the next exhibit. This is a cable from Ambassador Pickering for Craig Johnstone, February 1985.

MR. SHAPIRO. Excuse me, Counsel, are you going to have these exhibits numbered, "Sanchez, 1, 2," etcetera?

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MR. SAXON. Yes, this will be Sanchez Number 2.

MR. SANCHEZ. Do you see a date on this?

MR. SAXON. Yes, sir, it's 12 February 85, [redacted]

MR. SANCHEZ. February '85.

MR. SAXON. If you read the text, within the text from Pickering, it's actually a cable that Ambassador Pickering received from General Gorman on February 8th, '85, which says, and the subject there above is Felix Rodriguez. It says, and I quote, "Subject has been put into play by Ollie North.....Ollie assures me that he will pass word to Rodriguez to get in touch with me before he goes any further." Unquote. Further down, in the second paragraph, and I quote, "But Ollie assures me that his intent was to focus Rodriguez on forces operating elsewhere in Central America and that nothing more than consulting with," and the word is redacted from another copy of this is "Blandon,"..."was contemplated." Then below that, "Opining that we really had enough advice for the El Salvador Air Force on the NET at the moment, Ollie rogered, and said that Rodriguez can be much more useful in other places where aid and advice is much

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scarcer." Did you ever have any discussions with General Gorman or Colonel North, or anyone that Mr. Rodriguez aiding the El Salvadorans was simply a cover for his engaging in activities to aid the Contras?

MR. SANCHEZ. No.

MR. SAXON. Let me show you then, and have this marked as Sanchez Exhibit 3, a cable that is from General Gorman for Ambassador Pickering and Colonel Jim Steele, and it's dated 14 February 85, and it references discussions that Gorman has just had with Mr. Rodriguez after he arrived in Panama. I'll give you a moment to read that.

MR. SHAPIRO. Counsel, while Mr. Sanchez is doing that, let me ask you for the record, something just to clarify what I think is your intention. I take it that you don't by juxtaposing these documents with your questions seek to have the witness adopt some characterization that the documents are related in some way to the questions, other than as might be expressly described in the terms of the question?

MR. SAXON. The documents are very definitely related to the questions, as evident by the questions, and he can state what his

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knowledge was or what it wasn't.

MR. SHAPIRO. Well, the reason I asked was that your last question had no reference to the document. It seemed to be a free standing question.

MR. SAXON. Well, it definitely had reference to the document because that document shows that in the conversations between General Gorman and Colonel North, Mr. Rodriguez was not really going to assist the El Salvadorans; [redacted]

MR. SHAPIRO: Then I guess it is appropriate for us to be having this discussion. What I.....

MR. SAXON. Well, not necessarily, if you want to be technical, Mr. Shapiro, since Mr. Sanchez is not a government employee, and you are an agency lawyer, but we will have the courtesy to entertain any objection you want to make.

MR. SHAPIRO. I really am not trying to be contentious, Counsel, I'm just trying to clarify something. I don't think it is your intention to ask the witness to agree with or even comment on your characterization of the document except insofar as you may

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directly ask him in your question. Is that correct?

MR. SAXON. That's correct. He can accept, embrace or disagree with any characterization I put on the document.

MR. SHAPIRO. But what I want to make clear is your questions are your questions and he can respond to those and if there is some inferential characterization of the document that is not explicit in the question, he need not address it. Is that a fair statement?

MR. SAXON. That's your question, he can address it, as he...

MR. SHAPIRO. Is it a fair statement?

MR. SAXON. Sure.

MR. SHAPIRO. Okay.

MR. SAXON. Mr. Sanchez, this cable from General Gorman from Ambassador Pickering and Colonel Steele, 14 February 85, which you just had a chance to read, records a meeting which General Gorman has had with Mr. Rodriguez, in which he says in numbered paragraph

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2, and I quote, "Rodriguez' primary commitment to the region is [redacted] to assist the FDN. I told him that the FDN deserved his priority." Unquote. First question: did General Gorman ever tell you in any conversation that you had subsequent that he had indicated to Mr. Rodriguez that his commitment was assisting the FDN [redacted] and not the El Salvordan Air Force?

MR. SANCHEZ. No.

MR. SAXON. Did Mr. Rodriguez ever indicate to you that that was his priority in going to El Salvador?

MR. SANCHEZ. No.

MR. SAXON. Did anyone else ever indicate to you, Colonel North, Ambassador Pickering, or anyone with whom you would have had conversation, that that is what Mr. Rodriguez was doing in El Salvador?

MR. SANCHEZ. No. Because he was also advising the Salvadorans. He went down there for the purpose that I was involved in sending him down there for and he was doing that.

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MR. SAXON. I understand that your testimony is that that is your understanding of why he had been there. But when he testified in public session before our Committees earlier this year, that that was more or less his cover for going down there, and that his primary mission was to assist the FDN, and he confirmed in his public testimony, in essence, the statements that are in this cable traffic. But I understand that you are saying your understanding at the time was that he was going down there to assist the El Salvadoran Air Force.

MR. SANCHEZ. And strictly for that. Not to provide cover for anything else.

MR. SAXON. Do you know Lou Rodriguez?

MR. SANCHEZ. No. I may have met him, but I don't know him.

MR. SAXON. Did you ever have occasion to discuss Feliz Rodriguez with Colonel Jim Steele?

MR. SANCHEZ. Yes.

MR. SAXON. Did he tell you that Mr. Rodriguez was doing anything other than aiding the El Salvadoran Air Force?

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MR. SANCHEZ. No. He was very complimentary though of the advice that Feliz Rodriguez was giving the Salvadoran Air Force, in the PRAL operations.

MR. SAXON. Did Colonel Steele ever indicate to you that he had been given the assignment of monitoring Mr. Rodriguez' activities?

MR. SANCHEZ. No. I don't recall that I was ever told to do that, but as the MIL Group Commander in El Salvador, Colonel Steele certainly would be overseeing what Mr. Rodriguez was doing with the Salvadoran Air Force. I see nothing....I would believe that to monitor what he was doing would be part of his work.

MR. SAXON. Did you have any questions?

MR. SABO. Just one or two. What did you understand Mr. Rodriguez' task to be in El Salvador?

MR. SANCHEZ. What we have stated before. To go down to El Salvador to advise and help train the Salvadoran Air Force and a special unit in the Air Force in PRAL operations in the airborne mobile operations.

MR. SABO. At whose direction?

MR. SANCHEZ. At General Bustillo's; at the Salvadoran direction. They were the ones who....

MR. SABO. So General Bustillo would command Felix Rodriguez?

MR. SANCHEZ. He's in charge of the Air Force. He is the Chief of Staff of the Salvadoran Air Force, so Rodriguez would be in effect, advising him and the units under him.

MR. SABO. Why would Steele then be in a position to monitor or supervise his task?

MR. SANCHEZ. Well, I didn't say he would be in a position to monitor or to supervise his task. I would say that he would certainly be, since he is involved in the security assistance that's being provided to the Air Force and to the Salvadoran Army, that he certainly has no reason not...this is not a covert operation of any kind. There is no reason why he should not discuss these operations along with those operations that he was also trying to train Salvadoran units and provide training for Salvadoran units.

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MR. SABO. Did you obtain further communications from General Gorman, or his successor, General Galvin, as to Felix's activities?

MR. SANCHEZ. Only in the area of his advice to the Salvadorans in the PRAL operations, the PRAL operations, and those were very...I must say people were pleasantly pleased, I would say, that it was going very well.

MR. SABO. What I'm trying to understand is we have Felix going down to Central America and General Gorman basically complaining that he's there on a private basis, and suggesting that he be sent off to work with the anti-Sandinista forces. He then does provide assistance to the El Salvadoran Air Force. I'm trying to understand how that relationship with the United States military forces works, in view of General Gorman's initial opposition to his presence on that program.

MR. SANCHEZ. When I talked to General Gorman about Felix Rodriguez coming down there, he said he wanted to make sure that it was a coordinated effort and that it was up to the Salvadorans, if they wanted his advice, to take him on. But we had nothing to do...I want to correct your question there a little bit when you said "then." During the time that I was involved in this, it was

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for the purpose and purpose only of advising the Salvadorans in their air mobile operations. I had nothing......I had no discussions about any other duties that Gorman may have had. This is the first time I've seen this cable here on, that General Gorman thought he would be better used in other operations. I had not seen that before.

MR. SABO. Were you aware that Felix was involved in operations, other than assisting the El Salvordan Air Force?

MR. SANCHEZ. Not in the early part of it. I was aware of it after it became public, and....but, I'm just trying to think if I had seen any intelligence that I had focused on. It would have been through intelligence available to us, but not through any briefings that I may have received from anybody.

MR. SABO. Do you recall if Colonel Steele told you or appointed at any time that Felix was involved in activities on behalf of the anti-Sandinista forces?

MR. SANCHEZ. No, he did not.

MR. SABO. Were you aware that Colonel Steele and/or Felix had in their possession a KL-43?

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MR. SANCHEZ. No, I did not.

MR. SABO. John, did you have more?

MR. SAXON. I'm ready to go to another topic.

MR. SABO. Fine.

MR. SAXON. Mr. Sanchez, let me ask you what your knowledge was of the private air strip in Costa Rica, which we have received much testimony about this summer. When did you first become aware that a private air strip had been constructed with the assistance of and funding of the Central Intelligence Agency in Central American for purposes of aiding the private resupply operations of the Contras?

MR. SANCHEZ. The fact that an air strip was there was indicted in intelligence available to us. The fact that the Central Intelligence Agency assisted in this, I became aware of that when that became public.

MR. SAXON. Did the intelligence which you saw give any indication of what the air strip was being used for?

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MR. SANCHEZ. In general, to supply the Southern Front, but I can't remember or specifically tell you, "I remember this report or that report."

MR. SAXON. I understand that, sir. Did you ever inquire of anyone as to how that air strip got there, or who built it, who requested it be built, or did the Costa Rican government know that it was there, etcetera?

MR. SANCHEZ. I never looked into the details as to who specifically did it or who approved it or who didn't approve it. We all knew that there were private individuals, Americans, involved in supporting and helping the Democratic Forces.

MR. SAXON. Did you know that there was any US government direction going to those individuals, or assistance, or efforts that would facilitate those private activities?

MR. SANCHEZ. No.

MR. SAXON. When did you learn that these things were taking place? When the matters became public?

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MR. SANCHEZ. When the matters became public?

MR. SAXON. Did General Galvin ever indicate to you the extent of his knowledge of the air strip in Costa Rica?

MR. SANCHEZ. Not beyond the intelligence that I referred to before that was also available to General Galvin.

MR. SAXON. Do you recall ever having had a specific discussion with him in which this was a topic?

MR. SANCHEZ. No.

MR. SAXON. What about the....

MR. SANCHEZ. It could have been a topic in the many, many meetings that we had, but it was not a specific topic for which a meeting was called.

MR. SAXON. That wasn't the question. I understand your answer, but the question was simply whether it was a topic of any discussion you had with him?

MR. SANCHEZ. Not any American support for, no. I mean government support, that is.

MR. SAXON. In terms of the use of the air facilities [redacted] for private resupply operation, did you have any knowledge that those activities were going on?

MR. SANCHEZ. Again, only from the intelligence that we had that certain flights were flying out of there.

MR. SAXON. And like the previous questions regarding the air strip in Costa Rica, did you have any knowledge that American government officials being in the military were in any way aiding or facilitating those resupply operations going in and out of [redacted]

MR. SANCHEZ. No.

MR. SAXON. Did you ever discuss that topic with General Galvin?

MR. SANCHEZ. No.

MR. SAXON. Let me have this marked as Exhibit 4. I'll give you a chance to read it, sir, and let you know what you are looking at. It's a memorandum from Colonel North to Admiral Poindexter on January 15th of 1986, and while you can certainly look at the entire memorandum, the only thing really of relevance to us is the final paragraph.

All right, Mr. Sanchez, let me say for the record that...well, first let me cite the paragraph I'm looking at. In this memorandum, Exhibit 4, Colonel North tells Admiral Poindexter, and I quote:

> "You should be aware that General Galvin is cognizant of the activities underway [redacted] in support of the DRF. General Galvin is enthusiastic about both endeavors."

Unquote. I should say for the record, that in his sworn testimony to the Committee, General Galvin confirms in essence what Colonel North says. He says that he was knowledgeable about those and that in a general way, he was supportive of the efforts that took place. Let me simply ask you whether he, General Galvin, ever mentioned either of those activities to you in terms of his knowledge of their use in aiding the Contra resupply operation?

MR. SANCHEZ. No. Let me ask you to clarify your question a bit. You're talking about US Government involvement in those operations?

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MR. SAXON. Yes, sir. Yes, sir, as opposed to simply the...

MR. SANCHEZ. That's right, that the operations are taking place out of there.

MR. SAXON. Yes, sir.

MR. SANCHEZ. Which is the way you can also interpret this. This does not, the statement here in the memorandum does not state that it is being supported by the US Government in any way, but that the activity is taking place. General Galvin and I never discussed, to my recollection, that these operations which intelligence indicted were taking place out of both of these places, were supported by the US Government.

MR. SAXON. Did you ever have occasion to have such a discussion with Colonel North that would have included him telling you of any US Government activities, particularly his activities, in this regard?

MR. SANCHEZ. None that I recollect where he specifically stated that the US Government was supporting these operations. You know, we supported anything that the private sector could do for the Democratic Forces, but not government involvement.

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MR. SAXON. Yes, sir, I understand. Let me ask you some questions about the Hasenfuse shoot down. When did you become aware that there was US Government involvement in that particular air activity?

MR. SANCHEZ. After it became public.

MR. SAXON. Have you read any of the press reports which suggests that you bore some responsibility for helping plan a story that there was no government connection at the time this took place?

MR. SANCHEZ. I have, and I vehemently denied the fact that I had any role in a cover up for those operations. What the press was told from Defense was the truth. We did not know that there was any US involvement.

MR. SAXON. The truth is you knew it at the time?

MR. SANCHEZ. Yes, I knew it at the time.

MR. SAXON. It's important to get your statement on the record. If there is anything else you want to say in that regard, you are certainly welcome to.

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MR. SANCHEZ. No. I took issue with the story from the New York Times, and so made it known to that publication.

MR. SAXON. Do you recall any discussions in which Elliot Abrams indicated that he was going to ask General Singlaub to take responsibility for this operation as a means of diverting attention from any other US Government involvement?

MR. SANCHEZ. No.

MR. SAXON. Now during the time when the ~~Bowen~~ Boland Amendment, which went into effect in October of 1984 and lasted roughly for a year and cut off all US Government funds to the Contras, I guess it is reasonable to assume that intelligence indicated that the Contras were still in the field and were still fighting and that you had knowledge that they had not packed up and gone home. Is that a fair statement?

MR. SANCHEZ. Yes.

MR. SAXON. What was your understanding, sir, about where they were continuing to get their arms, their ammunition and anything that we would characterize, or that you would use to characterize as lethal equipment?

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MR. SANCHEZ. At that time the intelligence that I had access to indicated that they were receiving support. I do not recall, and therefore, I had no knowledge at the time as to the source or how it was being paid for.

MR. SAXON. Do you recall ever asking any of our intelligence agencies to provide you with any detailed analysis of their logistics pipeline and where they were getting material and how it was being provided to them?

MR. SANCHEZ. I don't recall ever having sent a memorandum over specifically requesting that information, but certainly this was topics of discussions at meetings. The private funding that they were getting at that time was no secret, so it was assumed that that's where they were getting it.

MR. SAXON. We've had testimony from various people, which would suggest they all knew that in some rough way that Colonel North was sort of the point of contact for the private fund-raising activities, and simply making that statement is not to suggest that the people who themselves would have said that, knew the full extent of what Colonel North was doing. Is it a fair statement that you would have thought of Colonel North as the point man or the one individual in the Government who would have

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been the link to any private fund-raising activities on behalf of the Contras?

MR. SANCHEZ. My answer, if I understand your question correctly, any private, or any official support of the Contras during that period of time, I did not know that that was taking place, so it would be speculation for me to speculate on who was doing it or who wasn't doing it. The fact that Colonel North was one of the liaisons with the Democratic Resistance Leadership was no secret during the whole period of time. From the beginning, from when this whole thing started and when Colonel North first became involved in it.

MR. SAXON. That answer is helpful. Let me see if I can better rephrase my question. You indicated that you were knowledgeable that he had maintained continuous liaison with the Democratic Resistance Leadership. Would you also have thought of him as being a central figure to serve in a liaison capacity to private fund-raisers; people who were involved in raising money for the Contras?

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MR. SHAPIRO. You mean his knowledge at the time?

MR. SAXON. That's correct.

MR. SANCHEZ. My knowledge at the time was what was on the public record, and depending on when, what restriction was operative, it was no secret that this administration and the White House supported the Democratic Forces, and there is public record on that of speeches, of briefings that were given at the White House, of briefings that all of us in the administration participated in, in briefing the public sector, shall we say, on what the policy was in Central America.

MR. SAXON. If a private donor had come to you and said, "I'd like to get some money to the Contras to help out," and there was certainly nothing improper or illegal about that and I don't think at any point would there have been, would you have referred them to Colonel North, or to whom would you have referred such an individual?

MR. SANCHEZ. Well, nobody ever did, so I can't tell you what it would have been to do that, because at that time I don't think I would have referred them to Colonel North during the period...Depending on what period you are talking about. If it's one of those periods in which we were providing humanitarian aid,

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naturally, I would have, if one would have come to me, which they didn't, I would have referred them to the Department of State who was responsible for running that program.

MR. SAXON. Let me show you another exhibit, and ask that this be marked as Deposition Exhibit 5. I'll give you a moment to look at it. It's not important that you, for my purposes at least, that you read every word in it. This is a Central Intelligence Agency document dated 8 July 1985, that is an intelligence summary of the Contra logistics pipeline.

Mr. Sanchez, if, as it appears that you have read the summary, that really will suffice for the purposes of my questions. If you look on page 1, at the footnote, it says "This memorandum was requested by the Deputy Assistant Secretary for Inter-American Affairs, International Security Affairs, Department of Defense," which on 8 July 1985 would have been you. Do you recall asking the Agency for this document?

MR. SANCHEZ. Yes, I requested this document, this is a memorandum, to give us an idea as to what was happening because of the problems that we were at that time having [redacted] with their very uncomfortable position in this whole affair. So we had this memorandum prepared.

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MR. SAXON. So you recall receiving it?

MR. SANCHEZ. Yes.

MR. SAXON. Do you recall what you did yourself in terms of the distribution, and I realize this is asking you to go back two years and you probably saw many documents and distributed many documents, but do you recall what you did when you received this?

MR. SANCHEZ. Well, it was an official memorandum, so I'm just looking for the distribution here.

MR. SAXON. It's on the last page.

MR. SANCHEZ. The Agency would have distributed this. This was something that was discussed at meetings: in Agency meetings that we had, and during this period of time as you notice, this was in July of '85, during the period of the cut-off and it was a time [redacted] was very, very concerned about this whole thing.

MR. SAXON. This document which you recall having requested and received is a very detailed document that talks about how the Contras were being supplied during that operation, so I would guess in a technical sense, your earlier statement of a few

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minutes ago that you had no knowledge of the source, would be that you had no direct personal knowledge of it.

MR. SHAPIRO. Do you want him to read it before he answers that?

MR. SANCHEZ. I'd better read the whole document because as I recall this document again did not say where or who was financing the deliveries. What I told you and what this document provided for me, and if you want to go into more detailed questions, I'll have to read it to refresh my memory. This is a compilation, as I recall it, of the intelligence that I told you before that we were all reading that we knew was taking place, so we asked the Agency, DDI, the Directorate of Intelligence, to put that together for us. So, it's a memorandum pulling together all the intelligence that we had been reading and receiving during this period of time.

MR. SAXON. I don't want to be unfair, so take the time that you wish to read it. In the interest of time, which is not our constraint, but one that we're having to operate under.

MR. SANCHEZ. Let me ask this question: I do not recall, and correct my memory if it's wrong, that this document tells us where or who was providing the source of the arms or ammunition. As the summary indicates, it indicates the problems that they were

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having: it turned to a variety of sponsors, but I don't believe that it....Let me go over it. As I recall, it...

MR. SAXON. I think maybe you should take the time to read it because I think you'll find that it's quite specific in many respects.

MR. SANCHEZ. To answer that question, I don't think I have to go any further than the second paragraph. Best estimates, which is what I knew and what they state here, and I quote from the document:

> "Best estimates are that FDN leaders have used their extensive private business contacts to garner most of the funds from US corporations and conservative action groups, but," and I underline this, "Information on identities of donors or amounts provided is unavailable."

That's the point that I'm trying to make with you.

MR. SAXON. And the point I'm trying to make, if you'll read the very next sentence, it says, and I quote:

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[redacted]

As you go through the document, you find specifics on it. I'm not trying to argue that you had precise knowledge of specific donors or whatever: I'm simply trying to understand if it was a little more specific than your earlier statement that you had no knowledge of...

MR. SANCHEZ. Within my earlier statement, let me correct that. I said that I had knowledge of the intelligence that we were receiving, and I specifically stated and if I was not clear on that point, I want to make that very, very clear, that what I did not know was the identities of the donors and the amounts provided. The fact that they were receiving this, yes, I was reading the intelligence and I read this document, which I requested.

MR. SAXON. Let me ask a couple of questions this way: did you have any knowledge that any [redacted] countries were providing false end user certificates to the Contras?

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MR. SANCHEZ. I don't recall that I had any specific knowledge of this, but this is the common practice on how this is done, how to get, in a covert operation of any kind, this is commonly used. Do you want me to go ahead and continue to read this whole thing?

MR. SAXON. I don't think it's necessary. Let me have you look at the next exhibit, which I'll ask be marked as Sanchez Exhibit 6. Mr. Sanchez, on Exhibit 6, which is a memorandum dated September 13th, 1984, from Colonel North to Mr. McFarlane regarding hearings which had just been held on US private citizen support to the Contras. I ask you look at page 2, in the middle of the page, the full paragraph which begins with the word "Note." [redacted] Let me stop there and ask first if these matters ever came to your attention contemporaneous with their occurrence?

MR. SANCHEZ. I don't recall that they specifically did, and I don't recall that...again, I would have to go back to Exhibit 5 and read it over again to refresh my memory if this type of information was specifically mentioned in that. Generally

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speaking, I can't recall that any intelligence was available to me that specifically mentioned this.

MR. SAXON. The next few sentences in the paragraph indicate that Mr. Calero was also providing [redacted] in return for end user certificates which they were providing for the Contras through [redacted] I recognize that there is nothing on this document which would suggest you have ever seen it, and so there is no intent to hold you responsible for information Colonel North might have had, but what I'm asking is there was a fair amount of specific information provided to some people in the government, and I simply wonder if you ever knew that these kinds of quid pro quo arrangements were worked out with the Contras [redacted] specifically in this case, [redacted] for their end user certificates.

MR. SANCHEZ. No, I did not, but this, even this memorandum in reading it, does not indicate that the US Government in any way did this.

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MR. SAXON. I understand that.

MR. SANCHEZ. This would be Calero doing it [redacted] the private groups involved doing it [redacted] or....

MR. SAXON. I understand that, and if I left the impression in my question that there was government involvement in that, US government involvement, I did not intend to.

MR. SANCHEZ. Let me be clear with this. Your line of questioning on all of this, I can assure you that there was no DOD involvement of which I was responsible specifically.

MR. SAXON. All right, sir.

MR. SANCHEZ. You may have evidence to the contrary. I don't know of any. To my knowledge, there wasn't any.

MR. SAXON. Did you have occasion to deal regularly with [redacted]

MR. SANCHEZ. I knew [redacted] and I dealt with him during that full length of time. I know him fairly well and on

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occasions, I have talked to him after he moved to the United States.

MR. SAXON. When we interviewed you back in April and we asked a fair number of questions about [redacted] and in the interest of time, I don't think I'm going to walk through all of that. Let me simply ask you if you have any knowledge that anyone in the United States Government sought to take any action to intervene in the US Criminal Justice System on behalf of [redacted], as an effort to keep him from talking about any Contra support activities that would have been embarrassing to the United States Government?

MR. SANCHEZ. Not that I'm aware of. As I mentioned to you before, and certainly you have that information, DOD did not intervene in any way directly on the case [redacted]. We knew him. [redacted] The case was strictly between the Department of Justice and the Department of State, and [redacted] government.

MR. SAXON. Yes, sir.

MR. SANCHEZ. And as the cases showed, there were many individuals who were sympathetic to [redacted], including the present President of this country.

MR. SAXON. Certainly, what we've been told that he is a very impressive, very professional man with a very broad world view. Let me ask you about a topic we discussed in April dealing with an allegation which was made by an informant to the Senate Intelligence Committee, and I'll give you an opportunity to get your response on the record, that on or about the time of the Attorney General's press conference, which would be November 25th, 1986, that you and possibly one other associate or colleague made a trip to Geneva, Switzerland. Is there any truth to that allegation?

MR. SANCHEZ. Absolutely not. As I categorically denied it to you the last time, I will do it again on the record.

MR. SAXON. All right, sir, when was the last time that you were in Geneva, to your recollection?

MR. SANCHEZ. Four weeks ago.

MR. SAXON. All right. Touche. Prior to these matters becoming public, when was the last time you were in Geneva, to the best of your recollection?

MR. SANCHEZ. To the best of my recollection, it probably goes back flights that were diverted from Orley for bad weather

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and landed in Geneva, and that must have been back in the '60s or '70s. '70s maybe; early '70s.

MR. SAXON. In any of your official duties here at Department of Defense, and the time you were Deputy Assistant Secretary, had you ever had occasion to use Swiss bank accounts?

MR. SANCHEZ. No.

MR. SAXON. Do you know an individual by the name of David Duncan who is an arms merchant in Miami, Florida?

MR. SANCHEZ. I had the occasion to be introduced to Mr. Duncan at one time, but I know nothing about him, other than what we all know of what he was involved in, what has become pretty much public knowledge.

MR. SAXON. And what did he tell you that he was involved in, when you met him?

MR. SANCHEZ. He was a....he wanted to become a source of military equipment for the governments in Latin America. He sold military equipment. He was an arms merchant, and I told him I couldn't help him, that we dealt strictly with official security assistance to these governments.

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MR. SAXON. Would I be correct in saying that the occasion which you met him would have been in April or May of 1986? Does that sound about right?

MR. SANCHEZ. I'd have to check, but it, yes, it could be about that time. I don't recall the exact date. I only met him once.

MR. SAXON. Let me have you look at this document that I'll ask be marked as Exhibit 7, a memorandum from David Laux to Colonel North, dated August 29th, 1986, and it's a memorandum in which he discusses his contact with David Duncan and he references a meeting you would have had with Mr. Duncan, the last paragraph on the first page.

MR. SANCHEZ. Let me read it.

(Pause.)

MR. SAXON. All right, sir, Mr. Sanchez, you are looking at, as I indicated, a memorandum from Mr. Laux to Colonel North, dated August 29, 1986, and he mentions on page 1 of this exhibit, that David Duncan was an arms merchant from Miami, Florida, who had done some arms business in Switzerland, and that Mr. Duncan indicated to the author of the memorandum that he had talked in

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April or May of 1986 to you. Does that help in any way to refresh your recollection as to the dates?

MR. SANCHEZ. It would certainly have to be before August 29, 1986, but again I don't don't recall the dates specifically.

MR. SAXON. Let me ask that you look at the bottom of page 2 of the memorandum, the last final of the paragraph on that page, it indicates, and I quote:

> "Duncan said he also had some information on an attempt to purchase TOW missiles by Iran. He said Iran had 76 million dollars in a Belgian bank to be used in the purchase of four thousand TOW missiles. Duncan said they really only cost seven-k each, that the going price was twelve-k each, but they would probably be sold to Iran at nineteen-k each, and that the difference, totaling twenty-eight million would be pocketed by the intermediaries." Unquote.

When you met with Mr. Duncan yourself, whenever it was, did he mention this particular item to you?

MR. SANCHEZ. I do not recall that Mr. Duncan mentioned this particular item to me. I have not seen this memorandum before, but I had talked to Dave Laux about this, and when he called me, I mentioned to him that I thought Duncan was somebody that we should not get involved with, that he had impressed me as a bag of hot air.

MR. SAXON. And if I understand your testimony, Mr. Duncan simply wanted to meet you, I take it, because of your position and wanted to try to develop a relationship with the US Government so that he could be an arms broker or intermediary on behalf of countries in Central America?

MR. SANCHEZ. Probably so, to see if I could put him in contact with anybody who was buying arms at the time.

MR. SAXON. And as best you recall, that was the extent of your conversation. Right?

MR. SANCHEZ. To the best of my recollection, I didn't give him much reason for desiring to see me again, or much encouragement.

MR. SAXON. Let me have you look at the next exhibit, which I'll ask be marked as Exhibit 8, which on its face doesn't bear any notation, but it is a further document of Mr. Laux's, dated 2 September 1986, in which he talks about his meeting with a gentleman named "Patrice" in Geneva in July, and he also talks

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about Mr. Duncan making reference to you. I'll give you a moment to read this. This is a document we received from the National Security Council.

(Pause while reading the exhibit.)

MR. SAXON. Mr. Sanchez, I'm going to walk through a few of the statements in this document and ask you about your knowledge of it. First, let me ask you in a general sense what you know about the arms shipment aboard the Pia Veste, which General Noriega seized in Panama.

MR. SANCHEZ. I became aware of that when the shipment was seized, and naturally at that time we were interested, as a community in Washington. Washington was interested in where these arms were going: who they were intended for: were they really intended for Peru: were they being diverted any place else, and where the arms were going. So, yes, we became very interested when the incident broke down there. We had no prior knowledge, as I recall, that the shipment was underway.

MR. SAXON. Did you have knowledge at the time that [redacted] may have been involved in some way?

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MR. SANCHEZ. Prior...No, prior knowledge, [redacted]

MR. SAXON. It also states that the suspicion of "Patrice" that [redacted] had ordered the arms on behalf of someone else. Was DOD able to ascertain who placed this order and for whom they were intended?

MR. SANCHEZ. I do not recall that even afterwards we were able to determine that. I certainly don't recall any information that these arms were ordered [redacted]

MR. SAXON. Do the gentleman referenced in here as being named "Patrice", whose full name appears on page one of this exhibit?

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MR. SANCHEZ. I don't remember Patrice, no.

MR. SAXON. Are you familiar with Star Productions in Geneva?

MR. SANCHEZ. I may have heard the name, but no, I'm not familiar with it.

MR. SAXON. At the top of what would be page three, bearing the committee's document number "N 32087" Mr. Laux discusses his conversation with David Duncan on 29 August 1986, in which he says that Mr. Duncan stated, and I quote, "First discussed the possibility of shipment with Nester Sanchez in February of 1986. Sanchez had no objections. Duncan has continued to brief Sanchez." Unquote. First question. Do you recall Mr. Duncan ever discussing this shipment with you prior to it having actually gone forward and been sized by General Noriega?

MR. SANCHEZ. No. And again, how can Duncan...I'm puzzled here as to how, except recognizing the source of the statement, but since I only saw Duncan one time by his own admission, how he could continue to brief me on that.

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MR. SAXON. Well, that could be one by phone. I understand you said you only saw him once.

MR. SANCHEZ. I didn't talk to him after that.

MR. SAXON. Okay, but the question of your having any advance knowledge in February 1986, that there would be such a shipment and you approved....

MR. SANCHEZ. No.

MR. SAXON. Is that an incorrect statement?

MR. SANCHEZ. And it doesn't say that I approved. He himself says I have no objection. What does that mean? I don't recall that he even mentioned this subject. I do not recall anything being stated at that time that there was a shipment of arms destined, for what? [redacted]

MR. SAXON. And in terms of continuing to be briefed by Duncan, while you have testified that you only met him once, did you have other conversations with him, perhaps by telephone?

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MR. SANCHEZ. No.

MR. SAXON. So to the best of your recollection, you only talked with him once, and that was the time when you met him?

MR. SANCHEZ. That's right. I did notice in here, on the first page, it mentions Dan Cummings.

MR. SAXON. Yes, sir.

MR. SANCHEZ. Cummings worked for me in my office and retired from...

MR. SAXON. As a consultant?

MR. SANCHEZ. No, he was not a consultant, assigned to me as an Army Colonel. [redacted]

MR. SAXON. All right. Mr. Sabo will have some questions for you about Mr. Cummings, but let me finish with this document. [redacted]

MR. SANCHEZ. Not that I can recall, no.

MR. SAXON. And finally, if you would look at the last page of this exhibit, there is reference to Felix Rodriguez. It states, and I quote: "Max Gomez," paren (Felix), "was placed in El Salvador by Nestor Sanchez and Dan Gregg," meaning, I assume Don Gregg, "Vice President's office. Max brags that he has daily contact with the office of the Vice President." Unquote. Now you have already covered Mr. Rodriguez, but let me simply ask you whether it's a fair statement to say that, forgetting about Contra activities and focusing just on what you have testified you understood to be Felix Rodriguez's activities to assist the El Salvadoran government, is it fair for anyone to say that you had a role in placing him in El Salvador?

MR. SANCHEZ. Well, I wouldn't characterize it as a role, but in the fact that I introduced him, yes: the fact that Mr. Duncan, or whoever wrote the memo here, gives me credit for placing him there, I can't take credit for that, [redacted] and to mention him then to, as you are well aware, to General Gorman and to Steele.

MR. SABO. Mr. Sanchez, we had an interview in June of this year with Dan Cummings. Among other things, we discussed the Pia

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Veste. Mr. Cummings told us he retired December 31, '81, as a Colonel in the Army, and he had been....

MR. SANCHEZ. '81?

MR. SABO. Yes.

MR. SANCHEZ. December of '81. Wait a minute. No, I don't recall when he retired. I thought it was later than that.

MR. SABO. What he said was that he had retired then and that his assignment upon retirement had been in Inter-American Affairs. He then told us that he worked as a consultant for one year after that retirement for you. Do you recall that relationship?

MR. SANCHEZ. Yes, he could have. I don't recall, but this is easy to check. You know, it has to be an official...if he was...he stayed in contact with us, naturally, with us in the office and with me. That he had an official consultant contract, I don't recall, but that can be easily checked.

MR. SABO. Is it your recollection that you continued contact with Mr. Cummings following his retirement?

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MR. SANCHEZ. Off and on: not on a regular basis.

MR. SABO. Would that be until the present?

MR. SANCHEZ. I haven't talked to Dan in, over a year.

MR. SABO. Do you know of a company called North American Auto Parts International, NAAPCO?

MR. SANCHEZ. I've heard of the company because I believe Dan, correct me if I'm wrong here, is a representative of NAAPCO. Is that right?

MR. SABO. That's correct. Also a company called Star of the Seas?

MR. SANCHEZ. That, I don't recall having heard.

MR. SABO. And do you know of a company called Cummings Facilitators International, Inc., which I believe, Mr. Cummings told us is a New Jersey Company.

MR. SANCHEZ. I don't remember the name of it, but I do know that Mr. Cummings incorporated himself.

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MR. SABO. Do you know what the business activities of NAAPCO would be? This is the North American Auto Parts, International.

MR. SANCHEZ. Generally speaking, what I recall about it is, they are providers of a variety of equipment. In fact, I vaguely recollect that...but we could go back and check this: this is a matter of record...that some rebuilt trucks for one of the countries in Central America, were bought from NAAPCO.

MR. SABO. Do you recall if that would be El Salvador?

MR. SANCHEZ. It had to be either El Salvador or Honduras. This happened later on though, this was '84 or '85...Salvador, probably.

MR. SABO. Do you know if NAAPCO, during the period from 1981 until the present, has been engaged in the sale of arms or the facilitation of the sale of arms in Central America?

MR. SANCHEZ. I don't recall any specifics that they have. I do recall the trucks that they had rebuilt. I think these were rebuilt trucks that were sold through NAAPCO.

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MR. SABO. Do you recall, were these rebuilt American trucks?

MR. SANCHEZ. Military equipment...yes, military equipment.

MR. SABO. So these were rebuilt US military trucks?

MR. SANCHEZ. That's all public...you know, and if you want any details on that, just go to DSAA, and you can get the full details of it.

MR. SABO. Did Mr. Cummings have occasion to contact you during this period, '81 to your retirement, concerning the possible sale of arms into Central America?

MR. SANCHEZ. He didn't, any time officially approach me on such a thing, such a subject. I know that he and his interest in Duncan was probably to....after all, he was in the business of providing military equipment too, and I wouldn't have discounted that arms were part of it.

MR. SABO. Let me show you a document, of which I don't have extra copies. It's a letter to you, and it will be marked as Exhibit Number 9, I believe.

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MR. SANCHEZ. Yes, I remember this conversation with Cummings, and I told him to put it writing, because as you will note there, this is already April of '86. We were already discussing the renewed military assistance with the Congress. There were indications that we were going to be able to get that assistance, and I don't recall, I probably passed this on to the CIA. We wouldn't be interested in it, certain information that if this kind of equipment was available, somebody would be interested in it.

MR. SABO. Was this a....

MR. SANCHEZ. Let me make this clear. Defense was not interested in this equipment: in purchasing this equipment, at least I wasn't.

MR. SABO. Do you recall if you did pass it on to another agency?

MR. SANCHEZ. I don't recall, but I would have no reason why I shouldn't have passed it on to, probably CIA.

MR. SABO. Was this the kind of request Mr. Cummings made of you on other occasions?

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MR. SANCHEZ. No...No, this was not a request from Colonel Cummings. When he mentioned this to me, that he had access to this bulk equipment, I told him we had no direct interest in it in DOD but to send it on, and I would pass it on; but he did not request me to do that.

MR. SABO. Cummings told us that what happened here is that just before this letter, Duncan called him and said he had access to certain number of weapons and he asked Cummings to find out if someone in the US Government would be interested in buying them for the US Government or otherwise, and Cummings said that he then spoke to you about it. You asked him to put it in writing and that's what was put in writing.

MR. SANCHEZ. That's what I recall, but I don't recall that he...He must know. I mean, I'm not disputing that, as to who his source was.

MR. SABO. No, no, it's quite consistent, but just so you understand what was going on. Apparently nothing came...Cummings told us that nothing came of this.

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MR. SANCHEZ. No.

MR. SABO. He told us that these items in fact were put on the ship which became the Pia Veste, and continued, some of these items, that was intended for Peru and ultimately Duncan claimed that General Noriega was going to buy those items. Of course, we know that this ship was ultimately seized in Panama. But my questions were whether or not subsequent to that letter, Mr. Cummings informed you of any of those facts, or anything else concerning those weapons or their subsequent disposition?

MR. SANCHEZ. I do not recall talking to Mr. Cummings, or Colonel Cummings about these weapons being connected with the Pia Veste in any way. And certainly not before the whole incident of the Pia Veste took place, but there were a lot of statements being made, as you are well aware just from the documents that you have shown me today, by the Duncans of this world in their own interests, but I think that the final...I don't know if you have it or not, roundup of what happened is, to my knowledge, the best intelligence that we have as to what happened on that thing. I haven't seen anything else.

MR. SABO. By any chance did you refer Mr. Cummings at any time to Barbara Studley?

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MR. SANCHEZ. No.

MR. SABO. As a person who might be interested.

MR. SANCHEZ. No, because I don't know Barbara Studley. I know her name, but I don't know her personally.

MR. SAXON. Do you know her firm, Geomilitech?

MR. SANCHEZ. Well, I've heard of it, but I don't know it. you know, I've never had any occasion to visit them or anything like that.

MR. SAXON. Did you have occasion to deal with General Schweitzer after he joined Geomilitech?

MR. SANCHEZ. General Schweitzer would come by in the Pentagon and I've known General Schweitzer for some time and he would stop in and he would tell me that he was now a consultant for that firm, but that's about the extent of it.

MR. SAXON. Did he ever tell you that they had any role in getting arms to the Contras?

MR. SANCHEZ. No. No, he did not tell me of any role that they were playing in that, that I can recall specifically. That they were interested in helping them, yes, that was no secret.

MR. SABO. Did he inform you of his contacts with Colonel North in connection with contacts [redacted]

MR. SANCHEZ. I don't recall ever having discussed that with General Schweitzer, no.

MR. SABO. Just so I can finish up this letter, and Exhibit Number 9. Cummings told us that subsequent to providing a letter to you, he did provide it at the suggestion of someone in the Government to Mrs. Studley, and I just want to make sure that I understand your testimony is that you were not the person who recommended Cummings, or provide the list, or information about these weapons to Mrs. Studley or to her company?

MR. SANCHEZ. No, I don't recall specifically recommending to Cummings that he do that. It is possible that we could have said, "Look for other people in town that are interested in these, in buying these weapons that are helping the Democratic Resistance Forces, but I do not recall specifically that I sent him over to Studley, because I don't know.

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MR. SABO. Okay, and my last question: Did you have any information or did you know that Mr. Cummings was involved in any way in procuring weapons for the anti-Sandinista forces?

MR. SANCHEZ. No. I do not recall that we ever discussed procurement for the Sandinista forces. [redacted]

MR. SAXON. Mr. Sanchez, let me show you one more document and ask that this be marked as Exhibit 10. This is a CIA cable, and I really don't know that you need to take the time to read it; we'll see if you do [redacted] I simply ask if you ever knew that [redacted] was providing false end-user certificates for the Contras?

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MR. SANCHEZ. I don't specifically recall that I knew that this was happening [redacted]

MR. SAXON. It doesn't shock your conscience?

MR. SANCHEZ. No, no.

MR. SAXON. Now on a different subject, let me ask that you take a look at this exhibit, and let this be marked as Number 11. You may recall that we showed you this document in a previous interview with you. It bears the heading of National Security Council. It comes from the documents provided by Mr. Richard Miller of IBC. It appears to be a sign-up sheet at some kind of meeting, and underneath the signature of Colonel North is what appears to be your signature, and then under Representation, it says "DOD" and a phone number. Let me simply ask you if you recall ever having been at a meeting with Colonel North and Mr. Gomez and Mr. Miller of IBC, among others, at which any private fund raising for the Contras was discussed?

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MR. SANCHEZ. As I told you before, no, I do not. And I do not recall this kind of a meeting with these players ever taking place to discuss that subject. These players would not have been involved in that type of discussion. Since you did raise this with me before and since I did mention to you that, yes, that certainly appears to be my writing and it is certainly my telephone number. What this appears to be is probably some meeting that took place on the subject of public diplomacy. The reason I mention that is because of the presence there, of Otto Reich, who as you recall was the Representative for Public Diplomacy at one time, and we don't have a date there; and Walt Raymond, who was also involved in Public Diplomacy, and that's how Frank Gomez and Miller and Jeff Bell would have been at some meeting like that, and not on the subject that you raised.

MR. SAXON. All right, sir. Let me ask you about any discussion which you might have had with your immediate superior during the time you, at least your latter years here at DOD, and that's Mr. Armitage. Did Mr. Armitage ever make you aware, prior to these matters becoming public, about the Iran arms initiative?

MR. SANCHEZ. No.

MR. SAXON. Did he ever tell you about any discussions that he had had, perhaps in December of 1985, with representatives of the Israeli government on the subject of replenishment of TOWS and HAWKS, which in 1985 might have gone to the Iranians, directly from Israel.

MR. SANCHEZ. None that I can recall. Do you have any more detail? Maybe I can...Just a question, I mean.

MR. SAXON. That's the general question. I could be more specific and say, did he ever tell you that on December 2nd, he met with [redacted] of the Israeli government, according to [redacted] account, to discuss the subjects that I just referenced?

MR. SANCHEZ. No, I don't recall that Mr. Armitage ever mentioned that to me.

MR. SABO. Did he discuss with you the revision by Israel for arms or money for arms in any connection with Central America?

MR. SANCHEZ. No.

MR. SAXON. Did you ever have any discussions with Mr. Armitage, or for that matter with General Collin or Powell, Noel Cook, Glenn Rudd or Doctor Hank Gaffney, during the time period of late November/early December '85 about any arms the United States

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would have either been involved in directly sending to Iran or sending through Israel?

MR. SANCHEZ. No.

MR. SAXON. The reason I ask is we've had public testimony and everyone is consistent that at that time Mr. Rudd and Doctor Gaffney prepared some talking points or talking papers about HAWKS and TOWS, which went up the chain to Mr. Armitage.

MR. SANCHEZ. Well, see, again since at that time we did not know of any connection with Nicaragua or Central America, my region. Today I can see no reason why something like that would have been discussed with me.

MR. SAXON. And you are saying that it was not?

MR. SANCHEZ. It was not.

MR. SAXON. Let me ask you about the efforts last spring for the President to ask the Congress to invoke emergency provisions under Section 506(a) of the Foreign Assistance Act, for Honduras for up to twenty million dollars in emergency military assistance. What do you recall about the events which triggered that request?

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MR. SANCHEZ. That was for Honduras. The Sandinista activity on the border, they had, as you recall...Let me go back and get the dates, but it was prior to that that there had been Sandinista insurgence in to Honduras. The Hondurans were very concerned that they had no air defense, for example, to protect themselves. The only thing they had was their air and their aircraft were falling apart, so this was high concern on the part of the Hondurans as to what could be...how they could protect themselves if the insurgents continued or if they expanded; if they came more than just a border type of insurgence. That was the general atmosphere down there.

MR. SAXON. Mr. Sanchez, there is a fair amount of documentary evidence which would suggest that the, perhaps like Mr. Kennedy's missile gap, the threat to the Hondurans was overstated at the time and we've had public testimony to that effect. At the time, did you have any knowledge that this was perhaps being overstated as a reason to get the Hondurans some emergency military assistance which they didn't realize at the time that they needed?

MR. SANCHEZ. No, I can't say that I had any knowledge that it was being overstated. I think that certainly the memorandums that we presented from Defense, and I believe the ones that I saw

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that had interagency clearance on it, clearly stated the facts as we saw them at that time.

MR. SAXON. On a different subject, are you aware of any direct linkage between efforts by the Pentagon to provide the [redacted] in order to replace the deteriorating [redacted] in exchange for any efforts on their part to help the Contras?

MR. SANCHEZ. No, because...and the reason I say no, is that ---and many people have interpreted it that way---is because all of this started way before that. The fact that we have been discussing [redacted] predates the later development. This is something that is almost historical in Central American, [redacted]

MR. SAXON. I think a fair reading of the report that [redacted] provided Director Casey when he returned from a visit there, along with Mr. Burghardt and others in October of 1986 was that perhaps we should accelerate those efforts that were already

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under way in the interest of getting [redacted] to agree to our Central American proposal was we were putting it forward on that trip. Mr. Abrams was also on the trip. Is that a fair statement, that while these things had a history to them, they were efforts to accelerate our response?

MR. SANCHEZ. Well, our efforts to accellerate our response, and I recall briefings from [redacted] I think after his trip there, that [redacted], were becoming very, very concerned about what was happening [redacted] The insurgents into [redacted] by Sandinista troops, and therefore, their two primary concerns at that time, because of what was happening on the ground, was their [redacted]

MR. SAXON. Along the same subject, a more generic question. Are you aware of any efforts in your tenure at the Pentagon to link security assistance generally to efforts by the recipient countries to aid the Contras, particularly during the time when US Government funds were cut off for such purposes?

MR. SANCHEZ. I don't recall that that was ever discussed specifically or in generic terms. The fact remains that with the build up in Nicaragua that was taking place, we didn't have to go through that machination to reach the conclusion that the other

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countries, friendly countries, the democratic countries in Central America needed help. That's what brought about the assistance to Honduras and Salvador. With both countries, especially Salvador, as you are well aware, having their own insurgency problem, they need support from Nicaragua.

MR. SAXON. Two final questions from me, sir. One, when did you first learn that any of the monies derived from the arms sales to Iran had been or were intended to be delivered to the Contras?

MR. SANCHEZ. When it was publicly announced in November.

MR. SAXON. And the final question for the record. Is there any connection between the timing of your retirement and any of the matters that our committees are looking at?

MR. SANCHEZ. A lot of people have speculated on it, and....

MR. SAXON. That's the reason I asked, to give you the chance to set the record straight.

MR. SANCHEZ. And continue to speculate on it, and I can tell you that it is sheer speculation on other people's part. I had retired, as you know, already once in 1981, and I was planning to retire a year to two years after I came to the Defense Department,

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so the fact that I retired at this time had nothing to do with, and I think as those who have speculated on my role, I think the record clearly indicates that there is no basis for me having decided to retire at this time.

MR. SAXON. And what are you doing now?

MR. SANCHEZ. I'm retired. I'm still consulting. I'm still a consultant for the Defense, and doing some consulting for other firms.

MR. SAXON. That's all I've got. We're about out of time. Let me see if my colleagues have anything further.

MR. SABO. I do. Let's see if I can ask a few things very quickly. Mr. Sanchez, who are you consulting for at Defense since your retirement?

MR. SANCHEZ. For ISA.

MR. SABO. So, that's under Mr. Armitage?

MR. SANCHEZ. For Mr. Armitage and for Doctor Ikle and for the Secretary. You don't consult for one, I mean.

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MR. SABO. I understand. So it would be DOD?

MR. SANCHEZ. Yes.

MR. SABO. Are you consulting currently for any other government agency?

MR. SANCHEZ. No. You know, consulting, when you say "consulting," I am not getting paid by any other government agency for consulting work.

MR. SABO. I understand. There has been a matter which has intrigued some of the committees and some of the people on the Hill. At the time of your retirement, Central America, Latin America, particularly Central America was becoming a high priority issue with the Administration and the Hill and various agencies. It would certainly become a matter of considerable attention and focus, CIA and Interior Defense; you had a long and prominent career in that area and by qualifications, knew more than many; some would say knew a lot more than those who succeeded you. Why would you have left CIA at precisely that time?

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MR. SHAPIRO. Do you mean CIA or defense?

MR. SABO. CIA, 1981.

MR. SANCHEZ. No particular reason other than...There has been again a lot of speculation on the subject, and I don't even care to comment on the speculation because there would be no end to the comments. It is no secret that I have some very definite views on the conduct of covert operations: on how I thought operations should be conducted and the pre-requisites for conducting a covert operation. This, I have stated and you can read a New York Times article, an interview that I gave the New York Times before on what I considered essential for covert operations; and I'm saying this, not that I saw this thing coming down or going down that line as it has taken place. But this has been, again used, which is on the record; I have stated it publicly that this was a difference that I had with the Director and therefore that this is why, well some people even say he fired me. That is not correct. In fact, I think the DDO at that time, he can be asked, but he was rather strong in his request that I stay; that I continue; that I not leave CIA at that time. Defense, as you recall, when I came over here, this was in August of 1981, had still not found anybody for this position and they felt that I was qualified for it, so they offered me the job and it was a chance to do something more than what I had been doing in

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CIA, so I took it with the idea at that time that it would be for a year or two.

MR. SABO. So you left in '81 because you had a basic difference with the Director?

MR. SANCHEZ. No, no, no, please, please.

MR. SABO. No basic differences?

MR. SANCHEZ. No basic differences....

MR. SABO. Was there strong opinion?

MR. SHAPIRO. Please, please. Mr. Sanchez, had you finished your answer?

MR. SANCHEZ. Well, no, what you...I was talking about the speculation that has taken place and this is part of the speculation that I had strong differences with Bill Casey and all the rest of them. The way it turns out, certainly some of my basic philosophy on how to run covert operations did not agree with what we saw unroll six years later, but that doesn't mean that Bill Casey and I had any serious disagreements about it at that time, although we certainly talked about it. The basic points....

MR. SABO. So, then...

MR. SANCHEZ. Let me finish. The basic points that I made then: that I have made publicly, is that a covert operation in my way of looking at it, should never be engaged in as a substitute for stated policy: in support of policy, yes. A very basic point. Secondly, that when one gets involved in a covert operation in this country of ours, especially in this day, that there had better be some kind of understanding with the Congress: not a vote or anything; but an understanding with the Congress that this is what is intended because you do not turn a spigot like that on and off the way we have been doing it in the past six years, and expect it to have any kind of impact. So, therefore, there has to be an understanding. But this follows with what I have stated publicly many many times: in fact, in just about every public speech that I have made, and I've made many of them during my six years in Defense, that what is required is long term policy and a bi-partisan support for our foreign policy to make our foreign policy effective. I believe that, and I have been called a Pollyanna because I insist this is what, I feel at least and I continue to feel, that this is what is essential if we are going to have an effective foreign policy, that we have to have---in its broad terms, I'm not talking about its specifics, but in its broad terms, we have to have a clearly enunciated policy for an area, long term: and we have to have broad bi-partisan support for that policy regardless of who is in the White House.

MR. SABO. Now based on your position, is that the reason you came from CIA to this position here in 1981?

MR. SANCHEZ. No, because if it would have been an issue, it would have been an issue with the Administration, not only with CIA. So if I had strong objections to working with this Administration because of that and the CIA, it would have applied equally as well or even more so in a position that I came to in Defense, so therefore, that's why I go back to this speculation on why I retired. I frankly am a little baffled myself as to why so many people are so interested in it.

MR. SABO. I did want to give you a chance to comment. Because I know your time is short, I'd like to ask you a couple of very specific questions. Do you have any knowledge of a David Walker? He's a citizen of the United Kingdom.

MR. SANCHEZ. What is he involved in? What's he engaged in?

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MR. SABO. He has been engaged in a covert operation in Nicaragua, 1985...'84, '5 and '6, perhaps.

MR. SANCHEZ. No, the only Walker that I know of who was engaged in operations in Nicaragua is strictly historical.

MR. SABO. Right. I move to another subject. I'm interested in, in particular, in the role of DOD in activities in Central America. I distinguish between activities and support of the Contras, and activities directed against the Sandinista government apartment from those activities which may or may not be in support of the Contras. Very specifically, I want to understand what was the role of DOD and the operations run primarily by [redacted]

MR. SANCHEZ. I can only answer from my role, from my office as to what....

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MR. SABO. To you knowledge.

MR. SANCHEZ. [redacted]

[redacted] I do not recall any specific support that we gave them in this operation, but that doesn't mean that we didn't.

MR. SABO. So, am I correct that you were not involved in that operation, either the planning of it, or....

MR. SANCHEZ. No. [redacted] DOD was not specifically, directly, as far as I know, involved in the operation.

MR. SABO. How about [redacted]?

MR. SANCHEZ. Never heard of it.

MR. SABO. We have often heard involved a list of munitions provided by the CIA to the DOD just prior to a particular cut-off as a result of the Boland amendment. It was a list of arms by the DOD which DOD was to provide the CIA for the anti-Sandinista

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forces and we are continuing to investigate this, but a certain quantity of arms was provided.

MR. SAXON. It was a tasking to all the services. [redacted]

MR. SANCHEZ. I don't specifically recall that, but again, this kind of an operation does not go through the Office of the Deputy Assistant Secretary. In other words, this is something that is done through [redacted] through the other areas in the Department. It's not one that requires policy decision.

MR. SABO. Let me show you a collection of documents which will be my final exhibit, which I believe now is Exhibit 12. In it is a memorandum dated September 2nd, 1983, for the Secretary from a General Counsel, and there are certain other memoranda attached. I ask you if you have knowledge of the subject matter pertained in that?

MR. SANCHEZ. No, this goes back to 1983.

MR. SABO. Right.

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MR. SANCHEZ. Do you have any specific question on it?

MR. SABO. I wanted to know if you were familiar with it and to what extent the attached list of arms grew out of....or was perhaps opposed to a DOD policy. I'm trying to understand DOD's policy during that period in respect to the Contras.

MR. SANCHEZ. Well, I'm certainly....you know, the general subject, this is something that is....this is certainly something that could come out of my office or if not out of my office, then out of the...well, in fact it states here that the Office of the Deputy Under Secretary of Defense for Policy requested the legal views on this. So it's something that came to us in Policy, and we requested, our contact at that time, as you recall, was the General Counsel to give us an opinion on it.

MR. SABO. And I believe the first document is the opinion?

MR. SANCHEZ. Yes.

MR. SABO. Okay, the second document attached to that opinion, I believe is a list of armaments which was requested from the CIA.

MR. SANCHEZ. By the CIA.

MR. SABO. By the CIA, and the third document I believe is a letter from a Congressman requesting....

MR. SANCHEZ. Addabbo.

MR. SABO. Yes, Congressman Addabbo, requesting information about DOD's involvement in support of the CIA. My question is really what was DOD's involvement in support of operations to assist the anti-Sandinista forces at that time?

MR. SANCHEZ. Well, again I'll have to go back and look at the calendar as to when, [redacted] [redacted] we were allowed by law to support, or provide arms requested by CIA, during those period of times when this was permitted, we provided them, provided they could reimburse us for the costs. During the times when we were not supposed to be supporting the Contras because of the limitations placed on us on various occasions by the Congress, I do not recall that at any time during those periods of time did we provide anything to the CIA. I don't know that.

MR. SABO. You notice in the request from the CIA, an item about two thirds down the page is a requests [redacted]

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MR. SANCHEZ. I don't specifically recall that request, but that wouldn't be out of the ordinary. We, have....

MR. SABO. My question is whether you recall if DOD had provided [redacted]

MR. SANCHEZ. No, I do not recall and I do not know of any [redacted]

MR. SABO. Do you recall [redacted]

MR. SANCHEZ. I don't recall of any [redacted]

MR. SABO. [redacted] is my question.

MR. SANCHEZ. No. I don't recall. [redacted]

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MR. SABO. It could have been accomplished in many ways.

MR. SANCHEZ. . [redacted] no. It was nothing like that, that I am aware of. You see, I think that Congressman Addabbo's concern was precisely that - about "US covert involvement in and against the Sandinista government in Nicaragua is the subject of a continuing debate," and the question that was being asked at that time was "has the DOD been involved in this," and I don't know the answer---I don't see the answer here, but I think the answer went back that we weren't.

MR. SABO. Without regard...and this will be my last question on the subject. Without regard to the various restrictions of the Bowen amendment and from a policy point of view, would it have been DOD's preference to have continued with support of CIA, or what was DOD's policy during that period?

MR. SANCHEZ. It depends on who you ask in DOD.

MR. SABO. I'm asking you, sir.

MR. SANCHEZ. It depends on how you want to do the operation from a policy point of view. DOD involvement is a very high profile US involvement. There is a certain amount of deniability, if you may, for the countries of Central America, if you do it

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through other channels, i.e., CIA. So it all comes down to: are we interested in that high visibility, direct involvement by the United States Government, or are we trying to give those countries who are also interested in helping, some kind of cover, if you may, some kind of deniability that they are not directly involved with the United States in support of, in this case, the Democratic Forces in Nicaragua.

MR. SABO. For the record, has it been your view that the anti-Sandinista forces would require additional training by the United States in order to be a viable fighting force?

MR. SANCHEZ. Any group which gets more training is going to be more effective, so I....What specifically do you...

MR. SABO. Should this training be provided by DOD?

MR. SANCHEZ. Well, again it goes back to how high a profile do you want? How do you want to do it? Who is selected in the process to do it? Who the Congress limits from doing it?

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MR. SABO. Let me interject....

MR. SHAPIRO. Counsel, I....

MR. SABO. I'm going to give you an opportunity to express your view, if you wish on how best to deal with the Contra force, and what kind of assistance we might or should provide....

MR. SANCHEZ. The best way...Look, the best way as far as I'm concerned, without getting in any way into the inter-agency discussions and disputes that always take place, from my point of view, you do it with the best people that you have regardless of what agency they are in, those people who have the expertise in what you are trying to train the other force in. That's my position, and I don't care where he comes from or anything else as far as who controls it. Those are the people on the ground, the requested people with that kind of expertise, are obviously going to give the best training and this is what our objective should be.

MR. SABO. Last question. Do you know Juan Costillero? He is an attorney in Panama with the law firm of, excuse my pronunciation, Quijan Asociados. He is known to Mr. Stone in a casual way, Colonel Stone.

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MR. SANCHEZ. Chi~~k~~co Stone?

MR. SAXON. Chi~~k~~co Stone.

MR. SANCHEZ. Chi~~k~~co knows a lot of people in Panama.

MR. SABO. I know, but I'm asking you if you know Mr. Costillero?

MR. SANCHEZ. No, I don't. I may have met him. I know several people down there, but I don't....In what way? I mean, is there anything else...I mean, why the question?

MR. SABO. The reason for the question is that Juan Costillero is reputed to be Noriaga's attorney and has arranged a number of things for him. He is also the attorney which formed the Lake Resources and other Panamanian companies which were used both in the resupply effort to the Contras, as well as depositories or profits. He appears to be a key functionary and he is known to certain persons in the community and I wanted to know if you knew him and could provide information about him?

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MR. SANCHEZ. No, I don't know him.

MR. SHAPIRO. Are we done?

MR. KREUZER. I have one last question. Until the 2nd of February of this year, you were the Deputy Assistant Secretary of Defense for Inter American Affairs?

MR. SANCHEZ. Yes.

MR. KREUZER. And who succeeded you now in that position? Who fills that position now?

MR. SANCHEZ. Bob Pasterino, a Foreign Service Officer, who was the Deputy Chief of Mission in Honduras.

MR. KREUZER. Okay, thank you.

MR. SANCHEZ. Okay.

MR. SAXON. Thank you, sir.

The deposition terminated at 1226 hours, 28 August 1987.

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AUTHENTICATION

I, NESTOR D. SANCHEZ, do hereby solemnly swear that I have read the attached deposition, consisting of 86 typewritten pages, and it is true and complete to the best of my knowledge and belief.

NESTOR D. SANCHEZ

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CERTIFICATE

I, Kathryn J. Whitty, do solemnly swear the deposition of Nestor D. Sanchez, was given under the following conditions:

1. The deponent, Mr. Nestor D. Sanchez was duly sworn by me prior to the commencement of any testimony given.
2. The transcript is a true record of the testimony given by the witness.
3. The testimony was recorded by me, by use of the closed microphone and thereafter transcribed by me into the typed 86 pages.
4. The deposition was given in my presence and in the presence of all parties named therein.
5. The deposition took place in Room 3E988, The Pentagon, District of Columbia, and began at 1000 hours, 28 August 1987 and terminated at 1226 hours, 28 August 1987.
6. I am not disqualified under Section 1.674.

Kathryn J. Whitty
Kathryn J. Whitty

Subscribed and sworn to before me by Kathryn J. Whitty, this
10th day of September 1987.

Alice M. Arnold
Notary Public, District of Columbia

[illegible]

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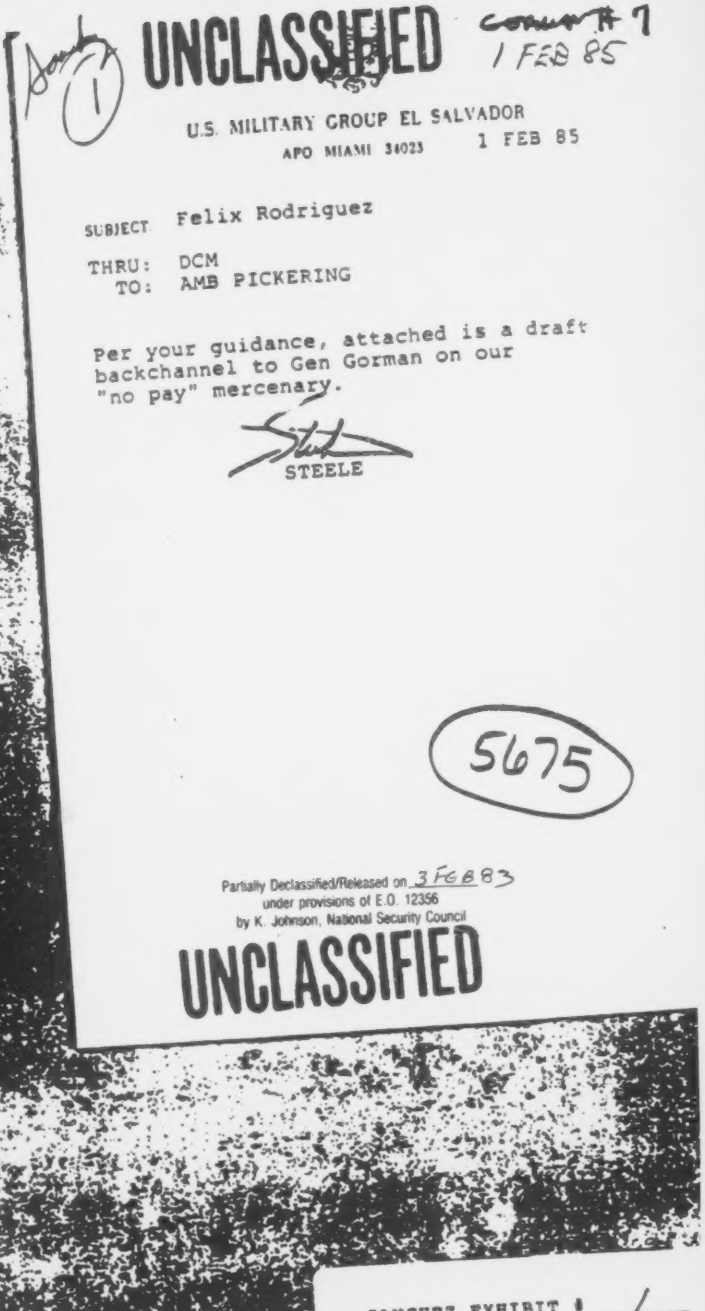

① UNCLASSIFIED Comm #7
1 FEB 85

U.S. MILITARY GROUP EL SALVADOR
APO MIAMI 34023 1 FEB 85

SUBJECT Felix Rodriguez

THRU: DCM
TO: AMB PICKERING

Per your guidance, attached is a draft backchannel to Gen Gorman on our "no pay" mercenary.

STEELE

5675

Partially Declassified/Released on 3 FEB 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

UNCLASSIFIED

SANCHEZ EXHIBIT # 1 P
Page 1 of 2

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CONFIDENTIAL

TO SSO PANAMA

~~CONFIDENTIAL~~

SSO PANAMA PASS TO GENERAL GORMAN FROM AMB PICKERING

PERSONAL FOR GEN GORMAN FROM AMB PICKERING

1. ~~(C)~~ DURING BLANDON'S OFFICIAL VISIT TO THE U.S. DURING THE PERIOD 22-27 JANUARY 1985, HE EFFECTED LIAISON WITH A MR FELIX RODRIGUEZ, WHO I AM TOLD HAS EXTENSIVE EXPERIENCE IN LATIN AMERICAN [redacted]

2. ~~(C)~~ AS A RESULT OF THE MEETING, BLANDON EXTENDED AN INVITATION FOR MR RODRIGUEZ TO WORK FOR THE GOES (ON A NO SALARY BASIS) WHEREBY MR RODRIGUEZ WOULD CONCEIVABLY BE EMPLOYED INDEPENDENTLY TO TRAIN, ADVISE, AND EVEN ACCOMPANY SPECIAL SALVADORAN UNITS INTO COMBAT. [redacted]

3. MR RODRIGUEZ HAS HIGH LEVEL CONTACTS AT THE WHITE HOUSE, DOS AND DOD, SOME OF WHOM ARE STRONGLY SUPPORTING HIS USE IN EL SALVADOR.

4. IT IS MY CONSIDERED OPINION THAT IT WOULD BE IN OUR BEST INTERESTS THAT MR RODRIGUEZ CONFER WITH YOU PERSONALLY PRIOR TO HIS COMING TO EL SALVADOR. I HAVE SOME OBVIOUS CONCERNS ABOUT THIS ARRANGEMENT AND WOULD LIKE YOUR VIEWS. I BELIEVE A MEETING W YOU WOULD SERVE TO CLARIFY OUR APPROACH IN EL SALVADOR AND WOULD ALSO PROVIDE YOU WITH SOME INSIGHT INTO HIS PROPOSED METHODS OF OPERATION. I WOULD APPRECIATE ANY USEFUL INFORMATION BE PASSED TO ME SO THAT I COULD BE READY TO SUPPORT OR DISCOURAGE HIS EMPLOYMENT BY THE GO

PICKERING.

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SANCHEZ EXHIBIT # 1
Page 2 of 2 Page

Partially Declassified/Released on 3 Feb 88
under provisions of E O 12356
by K Johnson, National Security Council

5675

Department of State UNCLASSIFIED TELEGRAM

13 FEB 85

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PAGE 01 SAN SA 01792 12

ACTION INRB-00

INFO LOG-01 ADS-00 CCO-00 /009 W
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13 Feb 85

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R 120235Z FEB 85
FM AMEMBASSY SAN SALVADOR
TO SECSTATE WASHDC 2842

~~C O N F I D E N T I A L~~ SAN SALVADOR 01792

SPECIAL HANDLING

[redacted]

FOR ARA CRAIG JOHNSTONE FROM PICKERING

E.O. 12356: DECL: OADR
TAGS: MOPS, PINR, ES
SUBJ: FELIX RODRIGUEZ

S 4486

ARA
OD

②

REF: SAN SALVADOR 1482

1. C - ENTIRE TEXT.

2. THE FOLLOWING MESSAGE WAS RECEIVED BY AMB PICKERING FROM GENERAL GORMAN ON FEBRUARY 8.

3. BEGIN TEXT:

SUBJECT HAS BEEN PUT INTO PLAY BY OLLIE NORTH, AND,
WHILE WELL ACQUAINTED, DOES NOT HAVE HIGHER BACKING.
OLLIE ASSURES ME THAT HE WILL PASS WORD TO RODRIGUEZ
TO GET IN TOUCH WITH ME BEFORE HE GOES ANY FURTHER.

I WILL ARRANGE TO HAVE RODRIGUEZ COME TO SOUTHCOM FOR
DISCUSSIONS. WE CAN THEN DECIDE WHETHER IT WILL ALSO
BE USEFUL FOR HIM TO INSPECT ESAF OPERATIONS. POSSIBLY WE
ALL MIGHT LEARN SOMETHING FROM HIM. BUT OLLIE ASSURES
ME THAT HIS INTENT WAS TO FOCUS RODRIGUEZ ON FORCES
OPERATING ELSEWHERE IN CENTAM, AND THAT NOTHING MORE
THAN CONSULTING WITH [redacted] WAS CONTEMPLATED. I
STRESSED OUR CONCERN OVER AND THE PENDING TRANSFER
OF PEAL FROM [redacted] TO MILGP, OPINING THAT WE REALLY HAD
ENOUGH ADVICE FOR THE ESAF ON THE NET AT THE MOMENT.
OLLIE ROGERED, AND SAID THAT RODRIGUEZ CAN BE MUCH MORE
USEFUL IN OTHER PLACES, WHERE AID AND ADVICE IS MUCH
SCARCER.

WILL KEEP YOU INFORMED.

END TEXT.

PICKERING

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under provisions of E.O. 12356
y K. Johnson, National Security Council

5676

SANCHEZ EXHIBIT # 2
Page 1 of 1

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14 Feb '85

(3) File 14 Feb 85

(3)

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TO [redacted]
ZEM
~~CONFIDENTIAL~~
QQQQ

PNA-0459-14-FEB-85

EYES ONLY//EYES ONLY//EYES ONLY//
NIACT IMMEDIATED
FOR AMBASSADOR PICKERING AND COL STEELE FROM GEN GORMAN
SUBJECT: FELIX RODRIGUEZ (U)

1. (C) I HAVE JUST MET HERE WITH FELIX RODRIGUEZ [redacted] PENSIONER FROM MIAMI. BORN IN CUBA, A VETERAN OF GUERRILLA OPERATIONS [redacted] HE IS OPERATING AS A PRIVATE CITIZEN, BUT HIS ACQUAINTANCESHIP WITH THE VP IS REAL ENOUGH, GOING BACK TO LATTER'S DAYS AS DCI.

2. (C) RODRIGUEZ' PRIMARY COMMITMENT TO THE REGION IS [redacted] WHERE HE WANTS TO ASSIST THE FDN. I TOLD HIM THAT THE FDN DESERVED HIS PRIORITY. I ALSO TOLD HIM THAT YOUR WORK WITH THE PRAL WAS ADVANCING WELL, AND THAT WE HAD MADE PROGRESS WITH TRAINING OTHER PATROL FORCES. I WARNED HIM THAT WHATEVER HIS CONSULTING ROLE IN EL SAL AMOUNTED TO, HE COULD NOT BECOME VISIBLE TO THE PRESS IN ANY SENSE WITHOUT DAMAGING OUR CAUSE THERE. I ALSO CAUTIONED THAT EL SAL IS A VERY MUCH MORE DELICATE ENVIRONMENT WITH RESPECT TO CIVIL-MILITARY RELATIONS AND RESPECT FOR HUMAN RIGHTS THAN ANY HE HAD OPERATED IN BEFORE.

3. (C) HE WILL WANT TO FLY WITH THE ESAF TO ESTABLISH HIS CREDIBILITY, BUT THAT BIT OF MACHISMO SEEMS TO ME BOTH UNNECESSARY AND UNWISE.

4. (C) MY JUDGMENT IS THAT HIS ADVICE WILL REINFORCE OURS, AND THAT WE SHOULD PUT NO OBSTACLES IN HIS WAY TO CONSULTING WITH BLANDON OR BUSTILLO UNLESS AND UNTIL WE GET COUNTERINDICATIONS. I RECOMMEND THAT JIM STEELE MEET WITH HIM. [redacted] AND AMBASSADOR MAY ALSO WANT TO INTERVIEW HIM, BUT OUR MAIN INTEREST IS, AS I SEE IT, TO INSURE WE KNOW WHAT HE IS TELLING BLANDON AND BUSTILLO VIA IN-BRIEF AND OUT-BRIEF.

5. (C) ASSUMING YOUR APPROVAL, I WILL SEND RODRIGUEZ TO [redacted] TOMORROW, 15 FEB, ON ONE OF MY C-12S. HE WILL ARRIVE AROUND 1200 LOCAL. HE IS A LONG-TIME FRIEND OF LOU RODRIGUEZ AND, IF AVAILABLE, WOULD APPRECIATE IT IF LOU COULD BE HIS CONTACT POINT. I ANTICIPATE HE WILL WANT TO DEPART FOR MIAMI ON SATURDAY.

DECLAS OADR
SSO NOTE: DELIVER IMMEDIATELY.
#0225

NNNN

5677

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by K. Johnson, National Security Council

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SANCHEZ EXHIBIT # 3
Page 1 of 1

[redacted]

UNCLASSIFIED

Galvin agenda
[illegible]
15 JAN 86
0396

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

ACTION January 15, 1986 307

MEMORANDUM FOR JOHN M. POINDEXTER

FROM: OLIVER L. NORTH

N 30632

SUBJECT: Meeting with General Jack Galvin, USSOUTHCOM

You are scheduled to meet with General Jack Galvin on Thursday, January 16 from 10:30-11:00 a.m. General Galvin has some specific recommendations on future plans for more effective support to the Democratic Resistance Forces (DRF) in Nicaragua. In this regard, Elliott Abrahms advised today that Senator Dole is drafting a bill which will provide overt military support for the DRF. He reportedly has Senators Lugar, Bumpers, and Boren as co-sponsors and Senator Sam Nunn is considering whether or not to "sign-on."

General Gorman was and is an active proponent of a greater role for the Special Forces in training/advising both the Salvadoran military the DRF. General Galvin shares this belief. Both remain convinced that the CIA lacks the military expertise necessary to adequately train and advise the DRF in an appropriate strategy or even the proper tactics. Their concern is not unfounded. To this date, the CIA has been unable to produce a coherent military strategy, the tactics to support such a strategy, or to adequately train the force to accomplish either. Admittedly, some of the problem is because of our "on again-off again" Congressional restrictions. But, no small part of the problem is a lack of expertise in the paramilitary side of the CIA operations direcorate.

[redacted]

Finally, General Galvin has asked that you agree to periodic (about once a month) meetings with you to discuss sensitive issues. You should be aware that General Galvin is cognizant of the activities underway in both Costa Rica and at [redacted] [redacted] in support of the DRF. General Galvin is enthusiastic about both endeavors. I will be flying with General Galvin to Costa Rica after the meeting with a return Tuesday morning.

RECOMMENDATION

That you review the points above prior to your meeting.

5678

Approve ______ Disapprove ______

~~SECRET~~

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JOOF Box 23
4/1/87

Partially Declassified/Released on 29 Jan 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

UNCLASSIFIED

8 Jul 85

N 7058

Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

8 July 1985

5

NICARAGUA: THE INSURGENT LOGISTICS PIPELINE (C)

Summary

The anti-Sandinista guerrillas have demonstrated considerable resourcefulness in coping with chronic supply problems since US Government funding ended in 1984. They have turned to a variety of sponsors for funds to underwrite purchases of military supplies on the international market and to cover local operating expenses in their effort to sustain a strong military presence inside Nicaragua. [redacted]

This memorandum was requested by the Deputy Assistant Secretary for Inter-American Affairs, International Security Affairs, Department of Defense. [redacted]

Copy 6 of 28

CL BY [redacted]
DECL OADR
DRV FROM SISR VOL. I

5679

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under provisions of E.O. 12356
by K. Johnson, National Security Council

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SANCHEZ EXHIBIT # 5
Page 1 of 9 Pages

BKD, FBI
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1 page N- 7059

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The FDN

[redacted]

Best estimates are that FDN leaders have used their extensive private business contacts to garner most of the funds from US corporations and conservative action groups, but information on identities of donors or amounts provided is unavailable. There has been little evidence of direct foreign government financial assistance to the FDN [redacted] ~~(S NF NC OC)~~

Secondary Rebel Groups

The FDN shares some of its resources with the Misura—a Miskito Indian group in the northeast—and several small rebel groups in the south. [redacted]

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5 pages N-7061 thru N-7065

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N 7066

SUBJECT: Nicaragua: The Insurgent Logistics Pipeline (C)

DISTRIBUTION:
Copy 1 - Mr. Nestor Sanchez
[redacted]
(8 July 1985)

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SANCHEZ EXHIBIT # 5
Page 9 of 9 Pages

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NATIONAL SECURITY COUNCIL

13 Sep 84

SYSTEM IV

NSC/ICS-400367

September 13, 1984

~~TOP SECRET~~ N 32553 SENSITIVE

ACTION

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM: OLIVER L. NORTH

SUBJECT: HPSCI/SSCI Hearings on U.S. Private Citizens Support to the Nicaraguan Resistance Forces

This is in response to your note on the package at Tab I (SYSTEM II 90962). On Tuesday, September 1[redacted] (CIA), Johnstone (State), and Sanchez (DOD) appeared before the SSCI to respond to their questions on the Santa Clara incident. On Wednesday, September 12, Motley (State), Clarridge (CIA), and Commodore Darby (DOD) appeared before the HSPCI on the same issue.

Today the SSCI conducted its world-wide covert action review. Clarridge appeared for the Latin America region. There were no significant questions about the two Americans killed on the September 1 air raid at Santa Clara. There were, however, several detailed questions/comments about other activities in the region. The summary below reflects input received from each of the Administration participants.

Partially Declassified/Released on 12 Aug 1995 under provisions of E.O. 12356 by B. Reger, National Security Council

Summary

-- Congressman McCurdy questioned Motley in detail regarding "what the NSPG had decided to do about the [redacted]?" Motley responded that NSPG meetings were not the purview of the Committee, but that the Committee should be aware, since they receive the intelligence, that we were watching the [redacted] and that we are concerned about them.

-- Congressman Fowler, in questioning Clarridge, delivered a lengthy exposition on how the Administration was using the delay in deploying [redacted] as a means of embarrassing the Democrats. He noted that there was no reason for delay and that there "had better not be" an offensive just because the Administration failed to act. Clarridge responded that we needed more time to ensure that [redacted]

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-- Motley was queried by several members who asked if it was true that the [redacted]s were indeed providing financial support to the FDN. Clarridge received similar questions abou[redacted]. Both responded that it was obvious that the FDN did indeed have significant financial support; that this further limited our control; and that we did not know where the support was coming from. Clarridge specifically replied tha[redacted] could not afford such largess, that [redacted] and that the support was likely coming from individuals and countries world-wide who feel strongly about the cause of anti-communism. Motley noted that [redacted] was unlikely to provide such support[redacted] and

- [redacted] received similar questions abou[redacted] from the SSCI. He replied tha[redacted] have provided some assistance to ARDE and tha[redacted] could be assisting the FDN.

NOTE: This is a potentially damaging line of question in regard to both[redacted] and[redacted] have "loaned" 7.62mm machine gun ammunition to the FDN. [redacted] is currently servicing ARDE aircraft at [redacted] In return, Calero is providing approximately 1 million 30cal. M-1 carbine rounds to [redacted] This ammunition is excess to the FDN from the M-1 stocks provided for the Misura Indian units. Calero is shipping 500 thousand rounds of the same ammunition to[redacted]

-- At today's world-wide covert action review [redacted]

-- Senator Leahy, at the same hearing, asked Clarridge[redacted]. Clarridge responded that [redacted] Leahy demanded that "you had better tell us about[redacted] or you will be in trouble with both sides of the aisle." Clarridge replied that the Committees would be briefed before[redacted] Leahy indicated that this would be satisfactory.

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RECOMMENDATION

That you retain this summary with the document at Tab I in the event you receive further queries.

Approve ✓ Disapprove _____

Attachment
Tab I - North Memo to McFarlane (90962) of Sep 10, 1984

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29 Aug 86
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August 29, 1986

MEMORANDUM FOR OLIVER L. NORTH

N 42221

FROM: DAVID N. LAUX

SUBJECT: My Contacts with David Duncan

On July 28, Carl Ford, NIO for Asia at CIA, asked me if I would take a call from Ted Rogers of Senator Glenn's staff about talking to David Duncan -- an arms merchant from Miami, Florida, who had some information on illicit arms shipments in several areas of the world -- to see if Duncan should be talking to someone on the NSC or at DOD or CIA about the information he had. On July 29 or 30 I took a call from Rogers who asked if I could see Duncan on July 31, when he would be in Washington. Rogers accompanied Duncan to OEOB and introduced him but did not stay for the discussions.

[redacted]

Duncan said he had other information he wanted to pass on to the U.S. government. I told him he was in the wrong department, that the National Security Council was not an operational agency equipped to deal with this kind of information, and that he should be talking to CIA or to DOD. I also told him I dealt with East Asian matters but I would try and put him in touch with the right people to talk to. Duncan mentioned that he had once talked -- in April or May -- to Nestor Sanchez, DAS/ISA for Latin America at Defense. I suggested he go back to Nestor but he said Nestor was out of town (I checked and this was true).

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Page 1 of 3 Pages

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I asked Phil Ringdahl to come in to hear the South African portion of the story and then took Duncan to meet with Vince Cannistraro to hear the whole thing and put him in touch with CIA if that seemed appropriate. Vince talked to him at some length.

[redacted]

Duncan said he also had some information on an attempt to purchase TOW missiles by Iran. He said Iran had $76 million in a Belgian bank to be used in the purchase of 4,000 TOW missiles. Duncan said they really only cost $7-k each, that the going price was $12-k each, but that they would probably be sold to Iran at $19-k each and that the difference, totaling $28 million would be pocketed by the intermediaries. Duncan said the Belgian bank was amenable to a deal involving a "sting", i.e., the sale of the missiles would go through but empty crates rather than the missiles would actually be delivered. Duncan said he was in a position to arrange this if the U.S. government wanted but it would have to be done pretty soon.

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SANCHEZ EXHIBIT # 7
Page 2 of 3 Page

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I again told Duncan that the NSC was the wrong organization to be dealing with and I was the wrong man, but I would try and find out who he should be talking to and would get in touch with him at his hotel (Hay-Adams).

Vince Cannistraro was on leave so I was unable to find out what had transpired in their talk and whether Vince had discussed Duncan with CIA and made arrangements for them to contact him. So I telephoned Nestor Sanchez, who gave me the story of his one conversation with him. Sanchez suggested I talk to [redacted] Chief of CIA's Latin American division/ DDO, and let him handle the matter of dealing with Duncan. Since I didn't know [redacted], I telephoned Clair George, CIA's DDO. I asked Clair to check the files on Duncan, and if he wasn't a nut, to ask some one to talk to him and assess his wild stories on arms deals, or give me some advice on what to say to Duncan. Clair said he'd get back to me. He did this morning, and said their assessment was that Duncan was a wild man, unreliable, that they didn't want to talk to him -- particularly with the story in today's Washington Post -- and advised me to stay away from him too.

Last night, before Clair George's conversation with me this morning, I telephoned Duncan at his hotel and told him I had been unable to get to any one who could deal adequately with his information at that point but hoped that someone would be contacting him either before he let Washington, or back in Miami.

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SANCHEZ EXHIBIT # 7
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2 Sep 86
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N 32035

2 September 1986

(8)

Meeting with "Patrice" in Geneva on 1 July 1986.

"Patrice" confirmed he was the owner of the arms shipment siezed by General Noriega in Panama.

"Patrice" stated:

1. The ship's destination was Peru - El Salvador.
2. Peru had ordered the trucks, but denied the ship permission to dock due to the arms aboard.
3. The ship proceeded en route to El Salvador.
4. "Patrice" had a "Letter of Intent" [redacted] for the RPG-18s and the AKMS rifles.
5. [redacted] refused permission to dock.
6. "Patrice" believed [redacted] had ordered the arms on behalf of someone else.
7. "Patrice" has a partner in Miami, David Duncan, and a representative in DC, Eloon "Dan" Cummings [redacted] a retired Colonel, USA.

Comment:
"Patrice is working from an office bearing the name "Star Productions" in Geneva.

"Patrice"'s full name and adress is as follows:

Patrice Genty de la Sagne
22A Rue du Cendrier
1201 Geneva, Switzerland

-or-

PO Box 248
1211 Geneva, Switzerland
Telephone : (022) 31 51 35
Telex : 28322 STARP-CH

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SANCHEZ EXHIBIT # 8

Page 1 of 4 Pages

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N 32036

Conversations with Dan Cummings

1. Confirmed information given by "Patrice" to be correct.
2. Stated that David Duncan had been to the White House and had been assured that General Noriega would release the shipment [redacted]

Several phone calls with David Duncan confirmed:

1. Duncan had been to the White House.
2. Duncan had met with Vince (NSC)
3. General Noriega has agreed to release the shipment.
4. [redacted]

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Page 2 of 4 Pages

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N 32037

Meeting with David Duncan, 29 August 1986, Washington DC.

Duncan stated:

1. First discussed the possibility of shipment with Nerstor Sanchez in February of 1986. Sanchez had no objections. Duncan has continued to brief Sanchez.
2. The ship left E. German port headed for Africa. Informed that Africa cannot pay the balance due, the ship turns around.
3. The Peruvian Navy agrees to purchase.
4. Peru refuses permission to dock.
5. [redacted] agrees to accept ship, then refuses to allow ship in port.
6. [redacted]s upset about the pressure arising from this. Duncan spoke to [redacted] Duncan stated:
   "[redacted] thinks he is getting pressure now, he hasn't seen anything yet. If [redacted] does not bring Duncan the purchase orders that Duncan is expecting, Duncan is going to the press and really tell them a story."

   "People down the street" (White House) on Duncan's back because [redacted] purchase orders are not coming in fast enough.

Duncan said that the NSC was angry that [redacted] had not bought more arms from Duncan, as Duncan can finance 100%

Duncan describes money as "Black Money" placed in Swiss Banks can finance 100% for a 15-year loan, with the first payment delayed 12 months.

Duncan stated that [redacted] and bragged that he had bought them for 20 million dollars and sold them [redacted] for 50 to 60 million dollars.

He also said that he had contracts [redacted] to build a military hospital and a military-run refinery and port. All construction financed with "Black Money".

Duncan is able to work all of these transactions because [redacted]

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SANCHEZ EXHIBIT # 8
Page 3 of 4 Pages

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N 32088

[redacted] warned Duncan that [redacted] still continues to control international communications.

Duncan stated "Patrice"s partner in Geneva ,"George", was a member [redacted] "George" had been responsible for 10 coups in Africa, and that the office of "Patrice" in Geneva is under security protection [redacted]

Comments and Conclusion:

[redacted] Ron Martin and Mario Del Amico in running the Arms Supermarket.

Mario Del Amico, [redacted]s a close personal friend of Max Gomez (Felix Rodriguez), also former CIA.

Max Gomez, civilian, lives on a military base [redacted]

Max Gomez (Felix) was placed in El Salvador by Nestor Sanchez and Dan Gregg (Vice-President's office). Max brags that he has daily contact with the office of the Vice President.

Duncan brags that through all of the above, Duncan has control [redacted] via power from the White House, (NSC, Vice-President) and Nestor Sanchez.

Duncan believed to be a very dangerous man.

Information Duncan willingly gave in boastful manner could:

1. Damage President Reagan and the Republican Party.
2. Damage Vice-President Bush.
3. Damage NSC and Sanchez.
4. Disclosure of covert "Black Money" could have untold ramifications.

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SANCHEZ EXHIBIT # 8
Page 4 of 4 Pages

24 APR 86

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Sanchez
(9)

CUMMINGS FACILITATORS INTERNATIONAL
[redacted] PRIVACY
McLean, VA 22102

April 24, 1986

Nestor D. Sanchez
Deputy Assistant Secretary of Defense
for Interamerican Affairs
Office of the Assistant Secretary
of International Security Affairs
Room 4C800, The Pentagon
Washington, D. C. 20301-2400

Dear Nestor:

Based on our conversation of April 22, the following is information on the Soviet made equipment which is available for delivery in 4-6 weeks. All is direct from Soviet factory.

	Quantity	Item	Price (U.S. Dollars)
1440	1140	RPG-18	500 each
[illegible]	1500	AKM-S	170 each
	30	4 x 4 Trucks	15,000 each

The addition of 7% of cost shown should cover freight and insurance to transport it anywhere desired.

The material is available from:

General Equipment Company
Wellington House
17 Union Street
St. Helier
Jersey, Channel Islands

The address in Switzerland is:

P. O. Box 248
1211 Geneva 1, Switzerland
Telephone 022/31 51 35
Telex 28 322

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~~under provisions of E.O. 12356~~
by K. Johnson, National Security Council

Sincerely yours,

Eldon L. Cummings

Eldon L. Cummings
Colonel USA (ret.)
President

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SANCHEZ EXHIBIT # 9
Page 1 of 1 Pages

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2 JAN 85

Exhibit 15

3pages C-0840 thru -0842

Dated 2 JAN 85

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MEMORANDUM

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NATIONAL SECURITY COUNCIL

NC Date

RH 14170

(11)

Name	Representing	Phone
Oliver North	NSC	[redacted]
Nestor Sanchez	DOD	[redacted]
Frank Gomez	I.B.C.	[redacted]
Rich Miller	I.B.C.	[redacted]
Otto Reich	STATE	[redacted]
Walt Raymond	NSC	[redacted]
Johanthan Miller	State	[redacted]
Jeff Bell	CFA	[redacted]
Jack Abr— M	CFA	[redacted]

PRIVACY

This was found in Miller's files.

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SANCHEZ EXHIBIT # 11

Page 1 of 1 Pages

GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE

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September 2, 1983

Sanchez #12
Ex.

MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: CIA Request for DoD Support of Covert Activities in Nicaragua (TS)

(TS) Recently Judge Clark sent a memorandum to you asking that the Department, in coordination with OMB and State, ensure that sufficient resources are available to support democratic resistance forces within Nicaragua. [redacted]

(S) Following this, the Office of the Deputy Under Secretary of Defense (Policy) requested our views on DoD's legal authority to provide the requested support. A review of the matter conducted by this office indicates that DoD has no separate appropriations or any other legal authority under which the requested support could be provided on a non-reimbursable basis, as the CIA had requested.

(S) The CIA has been disappointed with our pointing out this difficulty; it has suggested that it has insufficient funds to support such activities on its own.

[redacted]

(C) Section 403 transfers require as a matter of law that OMB give its approval to such transfers. In addition, as a matter of practice, six committees of Congress are also informed of such transfers: the two Armed Services Committees; the two Appropriations Committees; and the two Intelligence Committees. Although as a matter of law it would be possible to avoid involving these committees in the process, such a

[illegible] Released on 30 July 1987
[illegible] provisions of E.O. 12356
[illegible] National Security Council

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course of action would appear to be most unwise, inasmuch as this statutory authority to transfer funds is intended to conceal the precise amount of the CIA budget from the public, not to permit augmentation of that budget as it has been approved by Congress. An attempt to avoid Congressional involvement in the transfer process could jeopardize the entirety of the CIA legislative authority to receive funds from other governmental agencies.

(S) Despite our desire to support CIA initiatives within Central America, we are nonetheless constrained in the method of this support by statutory restrictions. Moreover, we have recently received a letter from Chairman Addabbo questioning the Department's involvement in precisely those activities for which the CIA now seeks support (copy attached).

(U) Director Casey may raise this subject with you.

WHT

William H. Taft, IV

Attachments (2)

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Cong[illegible]States
House of Representatives
Committee on Appropriations
Washington, D.C. 20515

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JUL 29 1983

July 27, 1983

TOP SECRET

Honorable Caspar W. Weinberger
Secretary of Defense
Washington, D. C. 20301

Dear Mr. Secretary:

As you are aware, the issue of U. S. "covert" involvement in and against the Sandinista government of Nicaragua is the subject of a continuing debate in the country and the Congress. Both the House and the Senate have held extraordinary secret sessions on this issue and the House has scheduled a vote on H.R. 2760, the intent of which is to cut off the funding for U. S. "covert" activities in Central America.

The Committee has recently learned that the Department of Defense has been instructed by the President to provide assistance to the Central Intelligence Agency (CIA) to facilitate the conduct of "covert" action activities in Central America, and such assistance is to be on a non-reimbursable basis. The Committee has also learned that the CIA has submitted to DOD a list of [redacted] that it would like to have DOD provide. [redacted]

Executive Order No. 12333 states: "No agency except the CIA (or the Armed Forces of the United States in time of war declared by Congress under the War Powers Resolution (87 Stat. 855)) may conduct any special activity unless the President determines that another agency is more likely to achieve a particular objective." There is no Presidential Finding authorizing DOD to conduct or assist in the Central American special activity.

Mr. Secretary, I request that you expeditiously provide the Committee with the following information regarding DOD's assistance to CIA in the conduct of "covert" actions in Central America:

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[illegible] Security Council

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1) An assessment of the legal ramifications of such assistance. This assessment should include a consideration of the restrictions imposed by Executive Order No. 12333 and the War Powers Resolution;

2) A specific, detailed, all-inclusive list of what is to be provided by DOD in direct or indirect support of "covert" activities in Central America;

3) A detailed accounting of all DOD personnel involved or to be involved directly or indirectly, in supporting "covert" activities in Central America;

4) Information as to how this support is to be provided; i.e., transferred to CIA or provided directly by DOD to Central American governments and/or other groups in Central America;

5) A specific, detailed account of the costs, both direct and indirect, involved in supporting "covert" activities in Central America; this should include the cost for each item of equipment provided;

6) An evaluation of the impact the provision of support to "covert" activities in Central America will have on "drawing down" DOD's readiness posture; and

7) A description of how DOD intends to report its involvement in "covert" activities to the appropriate congressional committees.

Sincerely,

Joseph P. Addabbo
Chairman
Defense Subcommittee

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Deposition of: Lawrence Scharf,
Special Assistant United States
Attorney

Friday, July 17, 1987

U.S. House of Representatives, Select Committee to
Investigate Covert Arms Transactions with Iran,
Washington, D.C.

4141

Appearances:

W. Thomas McGough, Jr.,
Associate Counsel, Senate
Select Committee.

Robert W. Genzman,
Associate Minority Counsel.

Jack Perkins,
Department of Justice,
Legislative Affairs.

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Deposition of: Lawrence Scharf,
Special Assistant United States
Attorney

Friday, July 17, 1987

U.S. House of Representatives, Select Committee to Investigate Covert Arms Transactions with Iran, Washington, D.C.

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MR. MCGOUGH: Mr. Scharf, my name is Tom McGough, Associate Counsel with the Senate Select Committee. Sitting to my left is Bob Genzman, who is Associate Minority Counsel for the House Committee. Jack--

MR. PERKINS: Jack Perkins, Department of Justice, Legislative Affairs.

BY MR. MCGOUGH:

Q. State your name.

A. Lawrence A. Scharf, S-c-h-a-r-f.

Q. What is your position?

A. Special counsel in the appellate division of the United States Attorney's Office, Southern District of Florida.

Q. What are your duties here?

A. I work with the United States Attorney overseeing all appeals for the office.

I do some administrative work.

That is my primary responsibility.

In that connection, I interview all applicants for the office to the extent I am able to do so.

My primary responsibility is to get involved in a supervisory capacity, and if I can, get involved in or help in difficult, sensitive and complex investigations and prosecutions that the office is conducting, so I will be assigned to either work with another attorney, or work with you, as those other attorneys are doing, in those kinds of matters, review what they are doing, to see that all proper investigative steps have been taken, that the prosecution is being-- if prosecution is being proposed, if there is a prosecutable case that the defense has not overlooked.

I also get involved in handling appellate matters, particularly-- a particular difficult nature.

I have had extensive appellate experience before I came to the office, and I will periodically handle some government appeals, which always are more difficult than being on the winning side in the District Court, and also available as a resource person for the office, that anyone can feel free to come to for advice as the need arises.

Q. Do you review all indictments that are handed up by grand juries here?

A. I do not review all indictments.

I am someone who is authorized to sign

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documents in the absence of the U.S. Attorney, or his unavailability.

I will review indictments in complex, sensitive cases.

Most of the public corruption and fraud indictments, and many of the major narcotics indictments pass through me before they go on to the United States Attorney for his approval.

Q. Do you carry any case load, yourself, or is your contact with the cases, as you described, mostly or exclusively supervisory?

A. At the present time, I am carrying no case load, myself, except for some appellate matters.

Q. When you say at the present time, are there periods of time when you do carry case loads?

A. Well there was a period of time where I worked for an extended period of time with another attorney on a fraud matter.

Q. How long ago was that?

A. That was in '85 to '86.

Q. Can you tell me what your commercial phone number is and FTS?

A. Commercial is 305-536-4917.

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FTS is 350-4917.

Q. Could you-- let's start with law school, if you could, and trace your career up to the present time.

Where did you go to law school, and when were you graduated?

A. I went to Harvard Law School.

I graduated in 1970.

Q. Where did you go after Harvard?

A. I was a law clerk to then Chief Judge Lombard of the United States Court of Appeals for the Second Circuit.

Q. Was that a one year or two year clerkship?

A. One year.

Q. Where did you go after clerking for the judge?

A. I went to the Criminal Appeals Bureau of the Legal Aid Society, New York City.

Q. And was that just as a staff attorney?

A. I started as a staff attorney.

After approximately a year and-a-half, I was made a senior supervisory attorney.

Q. How long were you with Legal Aid?

A. Until 1976.

Q. Where did you go after Legal Aid?

Excuse me. At the time you left Legal Aid, what was your position?

A. Senior supervisory attorney.

Q. Where did you go in 1976?

A. In 1976, I took a period off, and then in, I believe it was, February of 1977, I interviewed for the Justice Department's Organized Crime Strike Force in New York, Eastern District of New York, and they wanted to hire me, and at that time-- there ensued a period of delay before I could start, for things like budget, bureaucracy, what have you, so I took a temporary position with the National Center for State Courts.

Q. Is that organization in Williamsburg, Virginia?

A. I'm not sure.

Q. It was in New York at the time?

A. That wasn't where it was headquartered, but I was in New York.

They were doing a study of the various aspects of the court system in New York, so we had an office in Manhattan.

Q. How long were you engaged in this

study?

A. That was for a period of perhaps four to five months.

It was with the understanding that I would be free to leave when the Justice Department was in a position to have me on board, and when that came through in November of 1977, I started with the Strike Force.

Q. And again, was that as a staff attorney with the Strike Force?

A. I came as special counsel, same title that I have in this office.

Q. Special counsel to whom?

A. The U.S. Department of Justice, Organized Crime Strike Force, the Eastern District of New York.

Q. Was that a supervisory capacity?

A. Yes, it was.

Q. How long were you special counsel to the Strike Force?

A. Until I came down here, which was in February of 1984.

Q. And when you came here, what position did you take?

A. It was special counsel at that time.

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At that time, it was special counsel to the criminal division.

Q. And who was in charge of the criminal division at that point?

A. Joseph McSorley.

Q. Was that when Judge Marcus was U.S. Attorney?

A. Yes.

Q. When did you assume your present position?

A. I think it was approximately May of 1986 that I was moved from in the criminal division to the executive division.

Q. Was there any difference in the way you served, between the special counsel in the criminal division and special counsel to the U.S. Attorney?

A. I don't think so.

Q. How long have you known Leon Kellner?

A. 20 years.

We were classmates at Harvard Law School.

Q. I took Mr. Kellner through his career, but I don't recall whether there were any common positions that you had held.

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Was he with Strike Force or--

A. No. He was in private practice until he came down to the U.S. Attorney's Office here.

Q. Did you come down at the same time he did?

A. No.

I came down right after Judge Marcus became U.S. Attorney, whereas he did not come down until February of 1984.

Q. All right.

A. Let me just add that in law school, I was a roommate of Leon Kellner and Judge Marcus.

Q. I'm sure you know we're down here to talk about what you understand has been designated as the Costa case?

A. Yes.

Q. You're familiar with the case which I'm referring?

A. Yes.

Q. It's been called by so many different names. At least up in Washington, I wanted to make sure we had the vocabulary straight.

Can you recall your first contact with that case or that investigation?

A. The first time that I recall, was

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participating in a meeting after Jeff Feldman came back from interviewing someone named Jack Terrell.

Q. If I could punctuate that-- was that before he went to Costa Rica, but after he interviewed Mr. Terrell?

A. That's correct.

Q. Who was present at that meeting?

A. I just recall myself, Jeff Feldman and Leon Kellner, but I'm not certain of that.

Q, What was discussed?

A. Well, he went through the things he had learned, from, you know, Jack Terrell, and there were many details about trying to put down-- trying to put together a group of people to train and fight Nicaraguan-- the Nicaraguan government from Honduras and from Costa Rica, and that was as-- during that meeting, or right before when I was being called in.

I learned that there had been these allegations of a plot to assassinate Ambassador Tamms and to blow up embassies, and as I recall, Jeff was asked about what Terrell said about the plot to assasinate Tamms, and he said he had neglected to ask him, because he had to spend so much time talking about these paramilitary

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activities.

Q. I notice you have in front of you what appears to be-- is that the chronology that Mr. Feldman prepared?

A. This is the chronology that Mr. Feldman prepared, which reflects many events of which I have no knowledge.

Q. Do you have any of your own notes written on that chronology?

A. Very few.

Q. At some point, we would like to just take a look at the chronology with your notes on it.

I don't think that's important at this point.

With reference to that chronology, can you tell me when that meeting with Mr. Kellner and Mr. Feldman took place?

A. Well, I suppose it would have to be either March 27th or March 28th.

Q. That would be 1986?

A. 1986.

I do not recall which date it is, from my own recollection.

I certainly don't recall a six hour

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meeting.

Q. That was going to be my next question.

How long was the meeting, or how long were you in the meeting, if you remember?

A. I don't remember exactly how long the meeting was.

My best recollection would be-- I would be surprised it would be a little more than two hours.

Q. Do you recall what the decision or resolution of the meeting was?

A. Yes.

There was a decision not to just believe what Terrell said, but because of all of the information that was available at that point-- that Jeff Feldman and the FBI agents should go to Costa Rica and interview these mercenaries, or so-called mercenaries who are in jail in Costa Rica, and anyone else down there who might be able to shed light on the allegations that Jesus Garcia had been making.

Q. Do you recall in that meeting whether there was any discussion of the CIA or the NSC, National Security Council?

A. The only thing I recall is that Terrell

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claimed that the CIA had recruited him to help the CIA, which I have heard at times called CMA, as Civilian Military Assistance, but anyone-- to help the CMA to model a fighting force, and as I recall, that Terrell was asked who in the CIA recruited him, and he refused to say.

I don't really recall anything else about the CIA being mentioned in that meeting, although it may very well have been.

Q. How about the NSC?

Do you recall any reference to the NSC?

A. I don't recall any reference to the NSC at that time.

Q. Any reference at that point to Oliver North or Robert Owen?

A. Not then, that I recall.

Q. Do you recall any discussion of whether a grand jury should be employed at that point, or at some point in the investigation?

A. Not then, no.

Q. Do you recall any discussion about the Boland Amendment?

A. Not at that time.

Q. Do you recall any discussion at that meeting of any-- about any potential political

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impact or problems with the case?

A. No.

Q. Did you take any notes at that meeting?

A. No.

Q. Now, after that meeting concluded, and-- what was your next contact with the-- this case, if you recall?

A. The next contact I recall was the meeting that we had when Jeff Feldman returned from Costa Rica.

Q. And that would have been on April 4th?

A. That's correct.

Q. Do you recall-- were there any communications from Mr. Feldman to you, during the time he was in Costa Rica?

A. Not to me.

Q. Are you aware of any communications with anyone else?

A. I seem to recall, and this is very hazy, that he may have called Leon Kellner once while he was down there, and I'm not certain about that, and I don't recall if he did, what he may have conveyed.

Q. What do you remember-- first of all, let's turn to the April 4th meeting.

Who was there, to the best of your recollection?

A. Richard Gregorie, Ana Barnett, myself, Jeff Feldman, Leon Kellner.

Q. Was Mr. Leiwant there for any period of time, that you know?

A. Let me explain what I remember on that.

I recall-- and obviously, I'm not entering this with a blank slate--

I recall the discussions we were having about the Neutrality Act and the Boland Amendment, and then we wanted to try to find the Boland Amendment and the various incarnations.

We were having trouble finding it in the books, and I remember Ana Barnett going out to see if she could get it off the machine, and coming back and saying someone is going to get it for her.

I remember very vividly someone coming in with the computer printout, and us sitting there with the computer printout and discussing the Boland Amendment.

I do not remember who it was that brought the Boland Amendment into the room.

I know now it was David Leiwant, but

from my independent recollection, I don't recall that he was there.

Q. Were you present for the entire meeting?

A. To the best of my recollection, I was.

Q. But beginning to end, with-- I understand that there-- were there any interruptions, or did you have to leave the room for any reason?

A. I don't recall any interruptions.

I was definitely there during the period where the computer printout was brought in and where we discussed-- where we all read it, and we discussed it and discussed the Boland Amendment.

Q. All right.

A. So I just don't see any-- in my on mind at least, it's clear that we had to be in the room at the same time, and it's just that David Leiwant had such a brief appearance in this case, that I simply don't remember it.

Q. Do you recall any phone calls being made or being received during the course of that meeting?

A. I don't recall any that would be-- it would be very common for Leon Kellner to take calls during meetings.

He was always getting calls, and often we would take them, or we would sit there and have to wait for him, so the mere fact he would get a call, would just not be a memorable event.

What would be a memorable event, would be if he got a call from the Attorney General or anyone else in Washington telling him to slow down or stop an investigation, and that I could have never forgotten.

That just did not happen.

Q. Do you recall any telephone calls at all coming in or going out relating to the Costa case?

I understand there may have been other calls, but do you recall Mr. Kellner speaking on the phone to anyone regarding the Costa case?

A. No.

Q. Let me expand it beyond that meeting. I know the first question was limited to that meeting, but let me expand it now.

Do you recall ever being present when Mr. Kellner ever spoke to anyone on the telephone, about the Costa case?

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A. Yes.

I recall him speaking to Mark Richard I believe on two occasions.

Q. And can you fix those in time at all?

A. Just in the April, May, 1986 period.

Q. Were they in the context of larger meetings, that is where other people other than yourself and Mr. Kellner were present, or were situations just with you and Mr. Kellner?

A. I really can't recall, and I don't want to guess.

Q. Let's take the first one you recall first.

Do you remember what the discussion was between Mr. Kellner and Mr. Richard, or what you could hear of it, or what he might have told you about it?

A. All right. The first one that I recall, was where he called up to find out if the name Oliver North was a real person.

Q. This was Mr. Kellner calling?

A. Yes, either that, or Mark Richard had called him, and during the-- and he used that opportunity to ask him, but that's what I recall.

Q. Now, can you put that in context, with

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any meeting or any point in the investigation at all?

A. Well, I--

Q. Do you remember, for example, when Mr. North's name first arose, or Colonel North's name first arose?

A. Well, his name first arose close to my recollection, upon Jeff Feldman's return from Costa Rica.

That's the first time I heard it.

Q. Sort of on April 4th?

A. It would have been, yes.

Q. Is it a fair inference, this telephone discussion would have taken place not long after the April 4th meeting?

A. That's probably fair, yes.

Excuse me a second.

I just thought of something.

There was a newspaper article which talked about Colonel North.

Q. Was it a Miami Herald article?

A. Yes, and that call would have been unnecessary after that Miami Herald article, so it had to take place before the Miami Herald article.

Q. Let me show you-- we've had it marked as a deposition exhibit, but the exhibit-- EA, which stands for Elliott Abrams, 33.

It's an article from the Miami Herald dated April 30, 1986, which I believe refers in the second paragraph to Colonel North (indicating).

My question is, is that the article that you're looking for, if you know, and if not, whether that article will do-- will help you place any of this in context (indicating).

A. I don't think this was the article.

Q. All right.

A. It's certainly-- would have to be before that article.

Q. That is your--

A. But I think there may have been an article that preceeded it.

Q. So at any rate, at some point between April 4th, when you first heard of Oliver North, and April 30th, when the article appeared in the-- when an article appeared in the Miami Herald, you were present when Mr. Kellner spoke to Mark Richard and asked him whether Oliver North was a real person?

A. Yes.

Q. Let me ask you, could that call have taken place during the April 4th meeting?

A. I guess it could have, but I don't recall it happening.

Q. It was just a suggestion. I am not trying to force you into any conclusion.

All I'm asking you for is for your best recollection.

A. I guess one thing I should clarify, is I was aware at the time that there had been an earlier call from Mark Richard, in which I can place this chronology as having taken place on March 14th, and which Mark Richard asked, "Do you have some investigation going on about a plot to assassinate Ambassador Tamms," and asking Leon Kellner to look into it.

Q. But you learned of it at that time? You weren't aware of the March 14th conversation, until later on in the investigation?

A. That's correct.

I have an article which appeared in the Miami News on April 11, 1986.

This is the newspaper article that I had in mind.

It makes reference to Colonel North

(indicating).

Q. All right, and that article is headed on the first page, "U.S. Probes Reports of Smuggling for Nicaraguan Rebels"?

A. Yes, and it's the Miami News, not the Miami Herald.

MR. MCGOUGH: I would like to get a copy of that, if we could.

BY MR. MCGOUGH:

Q. Do you recall anything else-- we're back talking about the phone calls with Mark Richard.

Do you recall anything else about that first phone call, other than asking Mr. Kellner, whether Oliver North was a real person?

A. I don't recall anything else in that conversation.

Q. Do you recall what the response was from Mr. Richard?

A. I didn't hear it.

Well, I shouldn't say that.

After Mr. Kellner got off the phone, he said that Oliver North is a real person in the White House.

Q. Was that information significant to

you, and if you know, significant to Mr. Kellner?

A. It indicated that at least the stories that were-- whatever rumors were circulating-- that they were at least based on a real person, and not some fictitious name.

I don't think it had any other significance to us at the time, except to indicate that I was-- the information should not be discarded out of hand.

Q. You mentioned that there was a second telephone conversation with Mark Richard at which you were present, which you were aware.

I believe you were present-- can you tell me what that one was?

A. As best I can recall, that was only letting Richard know that the memo was on its way, and that it, you know, would be sent down soon, and this would be the memo that Jeff Feldman had prepared, which had gone through the various drafts.

Q. The memo actually went to the Department of Justice on June 3rd of 1986; is that correct?

A. Yes.

Q. So the telephone call obviously would have been some time before that; is that right?

A. Yes. It would be, yes.

Before the day it was actually sent out, yes.

I remember him saying that it would be sent soon.

I also remember that he said he was sending this complaint that had been filed by Attorney Abregon, the Southern District of Florida.

Q. This is the suit that was--

A. Yes.

Q. And was that suit--

A. It was in May of 1986.

I can't give you the exact date.

Q. Did you look at the memo that-- and refresh you recollection from that memorandum?

A. Yes. The memo does give the exact date (indicating).

May 30, 1986.

Q. So it would have been between May 30th and June 3rd when this conversation took place?

A. Yes, it would.

Q. Do you recall if anyone else was present?

A. I don't believe so.

Q. Do you recall anything else about that telephone conversation?

A. No.

Q. We've kind of gotten off on telephone conversations.

Let's go back on the April 4th meeting, if we could, and I want to ask questions about what topics were discussed.

Do you recall whether Oliver North's name came up at the April 4th meeting?

A. Oliver North's name came up, yes.

Q. Do you recall in what context?

A. It came up in the context of Jeff Feldman describing some things that he had heard said.

I remember asking him, "Well, have any of the people that have been interviewed said anything about Oliver North," and his reply was no.

I think I asked him, "Where did you get this from," and I don't think he-- as best I recall, he wasn't certain.

Q. Did he discuss his meeting with Ambassador Tamms in Costa Rica at that time?

A. He describes that he had met with Ambassador Tamms and had told him what he was there for.

I have no recollection that he told us then, what I have read in the last few months, namely that he pulled out a chart that said Oliver North, Robert Owens, and then others, and showed it to him.

I-- as best I can recall, the first time I heard that was when I heard about it in the newspapers since these hearings have begun.

Q. Did he indicate to you anything any of the embassy personnel might have said about Oliver North?

A. No.

Q. Did he indicate that there was anything unusual or remarkable about his meeting with Ambassador Tamms?

A. The only thing I recall him saying about Ambassador Tamms, as opposed to some other people in the embassy, was that he seemed somewhat suspicious.

Q. Did he indicate that he had met the CIA [redacted]?

A. Yes, he did.

Q. Did he indicate how that meeting took place, what brought that CIA [redacted] in?

A. I can't say that I have an independent recollection from the meeting in April of 1986 that he said then that the ambassador had brought in the CIA [redacted].

I have been reading about that the last few months, but I can't say I independently recall that.

Q. Was there any discussion at that point, at that meeting on April 4th, of the efficacy of going to a grand jury, or issuing grand jury subpeonas?

A. I don't recall that discussion on April 4th.

Q. Was there any discussion on April 4th of the political implications of the case?

A. No. I don't ever recall a discussion like that.

What I do recall, whether it was April 4th or some other time in April or May, was occasionally jokes being made.

I was probably the primary jokester.

Q. Can you give me an example?

A. Oh, I would say-- I would say, "Oh,

Washington is really going to love this," you know, that kind of thing.

There was never any discussion in a serious vein of political implications.

We just aren't concerned with that.

Q. Do you recall any discussion of impending votes on Contra assistance?

A. I was aware of it, because I read the papers.

I don't recall any discussion like that.

Q. You don't recall any discussion of the Contra assistance votes, in-- in relation to the Contra investigation, or in relation to the vote or--

A. Yes.

Well, let me make one exception to that, because there was a matter that occurred around-- well, it was May 7th, I believe, an article appeared in the New York Times.

Q. Was this the article, by the way, that said there was no outstanding investigation?

A. That's right, that it couldn't be called an investigation, it's just an inquiry.

[illegible] it.

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I was very disturbed about that article. I discussed it with Ana Barnett and Leon Kellner.

They were disturbed by it, also, and I am sure somewhere in the middle of that discussion, one of us must have said, "It looks like they are trying to play games here, because of the vote coming up."

That must have been said.

Q. Did Mr. Kellner-- do you ever recall Mr. Kellner making any jokes like the one you indicated, "Washington is really going to love this," something like that?

A. No.

Q. Do you recall at any meeting or any time, any discussion of-- with anyone, over the potential impact of the stress upon Mr. Kellner's pending nomination?

A. I don't.

If it was said, it would have been another one of those joking references.

Q. But you don't remember specifically anyone even making a joking reference to it?

A. I don't recall.

Since we did joke occasionally, it's

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possible.

Q. What was the resolution of the meeting, if any, on April 4th?

What was to be done?

A. Jeff Feldman was asked to prepare a memorandum, setting forth the results of the investigation to date, and his view of whether we should go forward, and at that time, the reason we did that was because we had a very hard time, all of us, completely following Jeff Feldman.

He had come back from Costa Rica, and he was very excited, and he was throwing out a lot of names, and we had never heard about, and organizations, and many of them were relating names.

None of us were really able to keep straight everything that he was trying to tell us, and we wanted it down on paper.

Q. And so the decision was made that he would do a memorandum summarizing the case?

A. That's right.

Q. Was he to include in that memorandum, if you recall, a recommendation as to the next step in the case?

A. Yes, he was.

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Q. Do you recall any discussion of what that next step would be, at the April 4th meeting?

A. I don't recall any discussion like that.

I certainly do recall his feeling as to the various aspects.

He felt that the story about the plot to assassinate Ambassador Tambs and to blow up embassies, was complete nonsense, something no one would do.

I found no reason to disagree with him on that.

Q. What about the gun running side of the case?

A. The gun running-- at that time?

A. He thought he had a case there, and to some extent, we were handicapped. We were-- we were handicapped in trying to pool everything and keep it in our heads, but it certainly occurred to me that it could be an unprovable case, and had to be carefully studied, and he was off with all of the paramilitary things and the neutrality violations, and I was really having a hard time figuring what was doing what to whom on that aspect.

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Q. Do you recall another meeting with Mr. Feldman and Mr. Kellner, on or about the day of the FBI shooting on April 11th?

A. No. I don't recall it.

Q. What is your next recollection of contact with the case, after April 4th?

A. Well, my next recollection was getting a copy of Jeff Feldman's first draft, and reviewing it.

Q. Let me ask you, in that interrim period, do you recall any discussion, either at the April 4th meeting or prior to getting Mr. Feldman's first draft of the memo, in his office, to bring a prosecution under the Boland Amendment?

You mentioned that they had the computer printout brought in, but was there any seriouis discussion about this office's jurisdiction about the Boland Statute, or how it might fit into the investigation?

A. There was a serious discussion of the potential criminal statutes applicable.

I do not recall a discussion in terms of the jurisdiction of this office as opposed to some other office, but I do remember a discussion about-- well, what happened or-- in Miami, or it

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came from Miami as opposed to California, wherever, or it was just initiated in Honduras or in Costa Rica.

We only have venue to prosecute offenses committed here.

Q. Do you recall a decision ever being reached that the Boland Statute would not be a plausible basis for a prosecution here?

A. (No response.)

Q. Either because the facts didn't support it, or the venue lay elsewhere?

A. We had a bit of a discussion, that was in many ways, off the top of the head, that-- in which I explained how even though the fact that the Boland Amendment was a statute without criminal penalties that is was conceivable, upon further analysis, that it would be the basis of some prosecution on some general statute.

For example, conspiracy to defraud the United States, or trick, scheme or device to defraud, in a matter within the jurisidiction of the United States, or any of these general statutes.

I gave some examples of where I was aware of, how statutes without criminal penalties had been used to support a criminal prosecution under these general kinds of statutes, such as the prosecution of Congressman Dix.

Q. Was there ever a point where the Boland-- analysis for a potential Boland violation was dropped out of the case, where there was a decision made at that time to look elsewhere, as opposed to concentrating on Boland?

A. In my own mind, no.

Q. You're hesitating as you say that.

A. Because I guess I don't want to get too far afield in terms of spreading out my own thinking, in terms of statutes in a pending investigation, but let me just indicate that I have always and still have reservations about the applicability of the Neutrality Act to the conduct that we were looking at at the time.

I think there are serious problems, and I think we necessarily have to get into the Boland Amendment in analyzing whether you do have a viable case under the Neutrality Act.

I have had from the beginning and I still have now, a certain difficulty with the language of the Neutrality Act, concerning a nation with which we are at peace, and what does that really mean, particularly in this context, when I well knew from reading the newspapers, that the President of the United States was ultimately claiming his hope that people would support the resistance to the Nicaraguan government.

Q. So to your mind, the Boland possibility was also in the case, in one form or the other?

A. Yes.

Q. All right.

A. I am aware that my own view differs from Jeff Feldman's thinking, and no doubt what he told you.

Q. About the aspect of the Boland--

A. The relevance of the Boland Amendment.

Q. I believe you can refer to Mr. Feldman's chronology, if you like, where he indicated in the first draft of his memo, it was set up on or about April 28th.

Is that about right?

A. Yes.

Q. Now, prior to that time and in the context of the FBI shooting, the Attorney General visited Miami.

Do you recall that?

A. Yes.

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Q. And you are also aware, are you not, that Mr. Kellner accompanied the Attorney General to various places in Miami?

A. Yes.

Q. Were you part of the enterrage at al?

A. No.

Q. Did you discuss with Mr. Kellner after the event, any conversations he had with the Attorney General?

A. No.

Q. Did Mr. Kellner mention to you that the Attorney General had spoken to him about the Costa investigation?

A. Not at that time.

For the past few months, he has mentioned that to me.

Q. Not outside the context of the inquiry that is being conducted at this point?

A. In connection with this inquiry, but at that time, he did not tell me about it, as best as I can recall.

Q. When you got Mr. Feldman's first draft, I assume you read it?

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A. Yes.

Q. What did you conclude about it, if

anything?

A. Well, I agreed that the investigation would go forward.

I had some problems with what he had written, and some things that I thought he should bring out more.

Q. Now, do you have a copy of the draft that you're referring to as his first draft, with you?

A. No, I don't.

Q. As compared to the May 14th draft that I think I see at the top of your--

How did you--what do you call it--the first draft?

Were they approximately the same?

A. Yes.

Q. The reason I asked that, we understand that there was an additional draft that was considerably shorter, perhaps a five page draft that was submitted to Mr. Kellner, and my not have been submitted to you on or about April 28th, and Mr. Feldman was then charged to go back and do a more comprehensive draft, and that may be ultimately what you saw, and that may be considered the first draft.

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Is that possible?

A. No.

He was asked to add things, and he did add things, but that may have added a few pages.

We're certainly not talking about a five page draft, a 20 plus page draft.

Q. Well, the draft you ultimately did see recommended that the matter go to a grand jury, or, I'm sorry, that grand jury subpeonas should be issued; is that correct?

A. Yes.

As I remember the first draft, it didn't say anything about a grand jury.

Q. We may be talking about the-- not about the same draft.

Was that a problem for you, that the first draft didn't have a specific recommendation about a grand jury?

A. It wasn't for me, but as I recall, Leon Kellner asked that there be a specific recommendation.

Q. Did you review a draft with a recommendation that there be a grand jury-- that grand jury subpeonas be issued?

A. Yes, I did.

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There is something I would like to point out to you.

There were a few notes that I made on my review of the first draft.

This was something that certainly would have been in the package that was sent here when the production-- several months ago.

It has no title or heading or anything, but it's just obvious from what it is, that it's things that I had seen in looking at the first draft.

Q. I'm locking at a yellow sheet of paper that says at the top, Corbo, C-o-r-b-o, and the next line is another statment, and the next line begins with the word confusing.

Are those your notes with regard to the first draft you say (indicating)?

A. Yes.

Q. Is it fair to say that you found the first draft unsatisfactory?

A. I found that the bulk of it, in terms of its description of who said what was perfectly fine, but there was a number of inadequacies about it.

For one thing, it just dove right in.

It didn't say who these people were, what the organizations were, so on, which made it difficult, very difficult to follow.

It also didn't give any indication of how the FBI got to the case, how we got into the case, and what had been done since that time.

It did not really give an indication of all of the people that had been interviewed.

It did not have things that I had heard on April 4th or before.

We were hearing things about the National Security Council and the CIA, and where is it in the memo, so, you know, Leon said to put it in, not to keep anything out of it that is relevenat or may be relevant. "Put it in the memo."

Q. For whom did you see this memo being written?

A. At that point, I saw it as being written only for us, so we would have, for our own purposes, everything that happened.

Q. Did that perception change at some point?

A. Yes, it did.

Q. Can you put an approximate time on that change?

A. Yes, I can.

It was when we saw the same New York Times article that I referred to earlier.

Q. That was May 7th or so?

A. That's correct.

Q. And why did the perception change?

A. The perception changed because we were reading statements made to the New York Times by the Public Information Office of the department, that, in our view, did not accurately reflect what we were doing or what we thought about the matter.

Q. All right.

A. And we wanted to be very sure that the people in Washington knew what we had, so that there could be no misunderstanding on that score, and knew that we were treating this as a serious investigation, which is not to say that by any means we had decided that there were cases here, but we were seriously handling it as an investigation, and to say that it wasn't an investigation, was simply not right.

Q. Is it fair to say that the decision was then made to send the finished product to the Justice Department, itself?

A. That's correct.

Q. Was Mr. Feldman advised of that decision at any time prior to the memo going to the Justice Department?

A. I don't recall.

Q. Now, there was a meeting, was there not, on or about May 20th, at which one of the topics of discussion was whether or not the matter should go forward to a grand jury?

A. Yes.

Q. At any time up to that meeting-- well, let me back up.

I think we're still one draft short.

The first draft you saw didn't make any recommendation as far as a grand jury went?

A. That's correct.

Q. Did you then see another draft that actually recommended that grand jury subpeonas be issued?

A. Yes.

Q. Did you make any comments on that draft, or give to Mr. Feldman any feedback on that draft, prior to the meeting on April 20th?

A. Not that I recall.

My recollection is we reviewed

everything together during the meeting on May 20th.

Q. You are aware, are you not, that Mr. Feldman at some point got a copy of that memo with a concurrence on it from Mr. Kellner?

A. I'm aware of it now.

Q. My next question was going to be, were you aware of that at that time?

A. I'm not sure.

Q. You don't know if he discussed his concurrence with you?

A. My best recollection is I was in his office, and he said something like,"We should go forward," and I said,"Well, let's discuss it. I don't know if we should be running to the grand jury so quick. Let's all discuss it together."

That's my best recollection.

Q. But he did not tell you that he wrote something on the memo and sent it back to Jeff?

A. No.

Q. Let's go back to the meeting on May 10th.

Do you recall who was present?

A. Myself, Jeff Feldman, Leon Kellner, Dick Gregorie and Ana Barnett, I believe.

Q. What was the discussion at that meeting?

A. Except for perhaps a few technical things of a minor nature on the memorandum, the primary subject of discussion was whether we should open a grand jury now, or do further investigative field work and hold a grand jury.

Q. When you say open a grand jury, what do you mean by that?

What do you mean by open a grand jury?

A. Start to subpeona witnesses to the grand jury, designate a grand jury to hear this case.

Q. Correct me if I'm wrong, but there is or are grand juries sitting regularly here?

A. Yes.

Q. And it's not a matter of empaneling a new grand jury for this case?

A. There have been cases where a grand jury was empaneled specifically for a case that was expected to be a lengthy investigation, with a lot of witnesses, but there are grand juries sitting in this district.

It's a very busy district.

Q. Let me ask you a few different

questions.

If an assistant has a case and feels that he needs bank records in the course of the investigation, and let's just take a garden variety drug case of some kind--

The assistant concludes that he wants bank records.

To whom does he speak, or with whom does he clear the issuance of a grand jury subpoena?

A. Normally with no one.

Q. All right.

A. Normally, he would just have the grand jury subpoena prepared, or have a return date, when, in fact, a grand jury was sitting, and then issue the subpoena. Is that right?

A. That's correct.

Q. And as far as the subpeonaing of actual witnesses, that is testimony as opposed to records, would that same process be a normal one in a garden variety case?

A. Well, I-- in a garden variety case, a grand jury investigation doesn't amount to much.

It amounts to maybe putting an agent on, one witness.

If it's just one agent, he talks about hearsay-- "Yes, I have learned from this other agent that he met with the defendant and he bought drugs from him, and then an arrest was made, and we tested the drugs and it's pure cocaine," so on and so forth.

So any case in which there's more than that, is not a routine case, and the fact that such an investigation is being held and conducted, is something that is subject to supervisory approval.

An attorney here does not have the power and-- in a non-reactive case, we don't start with an arrest, he doesn't have the right to start on his own-- investigation on his own, decide he's going to investigate something and use the grand jury.

Q. Was this perceived-- this being the Costa case-- the type of case that required a special grand jury to be empaneled?

A. I don't recall any consideration being given along those lines.

It was just-- not of its own grand jury or-- but it certainly was a matter that was considered would take extensive grand jury work, in which every grand jury-- we-- any grand jury that would here it, would have to be selected to make sure it's a grand jury with a long life, that wouldn't be inundated with other matters.

That was certainly something that was-- that we were cognizant of.

I don't recall any discussion as to whether a new grand jury would or would not be inclined to hear that case.

Q. As a matter of practice, there were really two types of grand juries being discussed; records subpoenas and testimony subpoenas?

A. Yes.

Q. And it is normal-- it's normal to get your records subpoenaed fairly early in the investigation because of the usual delays that might be encountered in getting records back?

A. Often.

Q. In that time frame, can you really create for some of the discussions-- some of the pros and cons that were considered, as to whether records subpoenas and/or witness subpoenas ought to be issued in this investigation?

A. The real focus of discussion, as I remember it, really had nothing to do with records.

It was really a question of are we ready to go to a grand jury.

Q. All right.

A. Are we ready to bring in witnesses, thinking about records-- it was purely incidental to that.

The biggest concern that we had and that we discussed, was the fact we really didn't know what we had, what we were dealing with, what we were doing.

I had all kinds of pieces, Jeff had all kinds of pieces, but they were flying off in all different directions, and it was, like, entered into the middle of the play, and had not even-- by the interview process, really established just what the place was all about, where it had begun, where it went afterwards, who were the key players, who were the people that we should be looking to target, who are the people we should be looking to as witnesses, who are the people that we should give immunity to if they don't want to cooperate.

We just knew so little, to be able to answer those questions.

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There was also a consideration that the law needed more analysis, certainly something that was mentioned.

The FBI was saying the Neutrality Act, and I was saying, "I don't know. I don't know."

I asked, "Is this a country that we're at peace with," and even if it is, it might violate the Neutrality Act.

Do we really want to start prosecuting a bunch of people because they heeded the call of the President of the United States, and they might not like it, and say the President of the United States has publically said these things, when the Congress said we are not going to support them--

The fact is, the President of the United States said that, so I was troubled on the legal level as well.

Q. Is it fair to say that you spoke out in-- against issuing grand jury subpoenas at that stage?

A. Yes, I did.

I was certainly one of the leaders in that, and Dick Gregorie joined me in that.

Q. Can you characterize the positions of the-- any of the other people, Ana Barnett, Mr.

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Feldman or Mr. Kellner, either as a final matter or--

A. As a final matter, we all did, including Jeff Feldman-- we concluded they should all go out and do work, gather information, before we went to a grand jury, or revisit the issue, or look like we had a case that we could present to a grand jury.

Jeff obviously came into the meeting, as his memo indicated, with a belief that we should start the grand jury, but at the end of the meeting, he agreed with us.

Leon Kellner, for a good part of the meeting, as I recall, sat and listened, as me, Dick and Jeff did most of the talking, and it was only toward the end-- that's when he started asking general questions about what do we need the grand jury for, that we can't do-- we can do without it, and that kind of thing, or can we do without it.

I recall Ana Barnett didn't say much, except for the-- at the end, to express her agreement that there's no reason to go to a grand jury now.

I'm sure you're aware of her background

is mainly in civil, and it's common for her to listen to-- when people like myself and Dick Gregorie are in the room, rather than take the initiative.

Q. At that meeting, was there any discussion about the political sensitivity of the case, either as a local matter, that is in the Miami community, or as a national matter, vis-a-vis, the Contra issue?

A. Nothing I recall.

Only-- the only thing I recall, is some discussion about that one sentence in the memorandum that had to deal with the FBI's reasons for opening a grand jury, and it was set forth-- were one of the reasons they gave was as put in the memo, first it would dispell claims that the Department of Justice has not aggressively pursued this matter.

Q. What was the discussion on that point?

A. I believe the discussion consisted of one sentence from Leon Kellner, to the effect that, "I'm not going to open a grand jury, because it might look better to someone. That is not what we open grand juries for."

Q. Is there anything else significant

about that meeting that you can recall?

A. Well, at the end of the meeting, we were all in agreement, and Jeff was going to make changes in the memo accordingly, and whatever other minor changes they may have discussed during it.

Q. Do you recall receiving a re-draft from Mr. Feldman in which he did, in fact, changes the conclusion?

A. Yes.

Q. Do you recall approximately when you used that?

A. Well, using the Jeff Feldman chronology to refresh my recollection, it had to be sometime at or after May 22nd.

Q. Did you receive it, if you recall, directly from Mr. Feldman, or from Mr. Kellner?

A. I received it from Mr. Kellner.

Q. Did you have any discussion with him or did he indicate to you anything at the time he gave you that memorandum?

A. I don't know if it was either right then or after I had had a chance to look at it.

We had a discussion that we don't have enough-- the reasons we just discussed, and briefly why we disagree with the FBI.

We just said, "Well, we're not going to do it now," and they said we ought to, and they were giving their reasons, and we thought whether he ought to give them our reasons for saying not now.

Q. Did you discuss with Mr. Kellner that or around that time, how the conclusion was going to be modified, or who would go about modifying the conclusion?

A. He asked me to set forth the reasons.

Q. Was there any reason expressed or any reason, for giving Mr. Feldman the memo again and letting him do that?

A. I don't recall a discussion of it.

In my own mind, the reason was obvious.

Q. Why was that?

A. That most of the reasons that had been advanced, which ultimately led to agreement in the meeting, were the ones advanced by myself and Dick Gregorie, and so one of us would be in the best position to easily set it forth, whereas if it was given back to Jeff Feldman, he probably would have to come back to us again to discuss it.

Q. Now, as I understand it, this document was done in a word processing pool of some kind.

A. Yes.

Q. And does each of the assistants or each of the attorneys in the office, have their own word processing file, and by file, I don't mean paper in the hard sense, but in the computer sense?

A. Can you repeat that question?

Q. Yes.

My question is-- really what I'm getting at, is how one goes about changing a document that another person has drafted or submitting to the word processing pool.

A. Give it back to that person's secretary.

She would have the disk or-- excuse me, or the secretary to bring the disk down to your secretary.

Q. Now, the question is, do you recall which of those you did in this case?

A. I don't.

I know from-- from having heard Jeff Feldman say it in the past few months, that it apparently went back to his secretary, but I have no independent recollection of that.

Q. Did you do the modifications-- did you run your changes by Jeff Feldman at any time?

A. From my independent recollection, I don't know.

Apparently, from having heard from Jeff Feldman, again, for the past few months, I did not.

Q. Was that a conscious decision on your part?

A. No.

I assumed I would give the changes back to him or gave them to Leon Kellner, first, that before it went out, Jeff Feldman would look at it.

Q. But you knew-- you, yourself, didn't take any steps to present it to Jeff before presenting it back to Mr. Kellner?

A. No.

Q. Let's look at the changes that actually were made in the memorandum.

The first one of consequence that I noticed is a reference to the Crista suit and its filing.

A. Yes.

Q. That was added as a footnote?

A. Yes.

That had come up, and the memo hadn't come up, and it was relevant, so I figured just to put it in.

Q. By this time, you didn't-- you didn't change the date of the memo, so you're referring to a memo that was dated May 14th, related to an event that took place on May 30th?

A. Obviously. I see that (indicating).

Anyone worried about-- I read about that in some publications, trying to make significance over the fact the date wasn't changed, but when you try to put in it may 30th, you're not trying to conceal the fact the memorandum was finalized May 14th.

Q. My question is, the allegations have been made in some of the press, that the memo was intentionally backdated.

A. No.

Q. So it was originally back dated the 14th, and it changed?

A. When it went through some of-- when it went through some of the drafts?

A. As we discussed earlier, there was the first memorandum, I believe of April 18th, and the

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second draft was dated May 14th, and it's subsequent revisions-- the date just wasn't changed.

Q. But there was the May 14th draft that came out on May 14th; is that correct?

A. Yes.

Q. And that recommended a grand jury be convened or--

A. Right.

Q. And the meeting on May 20th, there was another memo that was also dated the 14th, which Mr. Feldman wrote, "We didn't have a straighforward enough conclusion or complete enough conclusion from Mr. Kellner's standpoint."

Is that correct?

A. Correct.

Q. And then there is a third version dated May 14th, which had your conclusion, and it had your reference to the Crista--

A. Correct.

Q. To your knowledge, was the date on the cover sheet ever brought up to date and then changed back, or was it just an oversight in not updating the cover sheet?

A. No. It's clearly an oversight.

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Q. Let's go to the conclusion, if we could, where you set forth a number of reasons for not opening a grand jury, as you have called it.

On the first-- do you have your version?

A. Yes. The first says, "Opening a grand jury at this point would be a fishing expedition".

Is that correct?

A. Yes.

Q. What did you mean by a fishing expeditious?

A. What I meant by that, in a very shorthand fashion-- it was all that we had talked about in terms of why we didn't really know where we were going yet.

It wasn't focused yet, we didn't know who we were looking at, in terms of agents and who were witnesses, and so on and so forth.

At that time I didn't feel and Dick Gregorie didn't feel that we should open up an investigation, a grand jury investigation yet.

Q. Now, that was one of the reasons that were discussed at the May 20th meeting?

A. That was discussed, and I know that Jeff Feldman is unhappy with that choice of language, but the concept I was trying to convey was one which we all agreed upon.

Q. Now, the second reason, I believe, or the second notable reason I saw, was that grand jury subpoenas aren't needed for records of gun sales, because ATF can obtain those; is that correct?

A. Right.

Q. Was there any discussion of postponing the ATF requests, or was that something to be done immediately in lieu of a grand jury subpoena?

A. No.

The discussion was in terms of, "Well, we can go out and get that right now."

Q. There was no intention or discussion of postponing that as well?

A. Not at all.

Q. The next reason I noted was that bank records subpeonas might sweep within their ambit, innocent contributors.

Is that a correct paraphrasing of one of the reasons you had for--

A. One of the reasons, yes.

Q. What do you mean by that?

A. Well, my understanding was that the

Cuban organizations made public appeals, held fund raisers, and that all these patriotic anti-Communist Cubans in the community, were very-- who are very sympathetic to such appeals, would come and give their $10, $25, and that seemed to be what we were going to get by looking for the contributors, a list of a large number of people who made small contributions.

I didn't see what we needed with that, why we wanted it.

I must say sitting here a year later, we also never had, then-- we never had then, and as far as I know, don't have now, any information that they received funds from the U.S. Government or any of those private organizations that were acting for the U.S. Government, channeling funds, so that possibility never entered into our discussions, and certainly never crossed my mind at the time.

Q. Was this factor that we've been talking about, that is the innocent contributors factor, one of the things discussed at the May 20th meeting?

A. Yes, it was, in terms of both innocent contributors and in terms of what was it going to show us. What for?

We didn't want to know Corbo's associates in some academic sense, but we wanted to know who are the people who made up the conspirators, if what Corbo is doing is a crime, and just knowing who responded to those funds rates raising appeals, wasn't going to advance that inquiry at all.

I thought it was looking down the wrong pathway.

My suggestion was that we want to try to identification people that may be conspiring with Corbo, go out and interview the people that, you know, are associated with Corbo, and ask them who is associated in this circle, and take it that way.

Q. You also indicated that once subpoenas are issued, that the government can expect delays, quote, unquote, in getting the records back.

That is, in fact, an argument for issuing the subpoenas early, as opposed to--

A. Yes, it is.

My thinking was when I wrote that-- "This is our chance to pursue Corbo's associates. Are we going to be sitting on our hands for two months, at least, and then we'll get a whole pile of bank records with all of these names and have to sift through it to see if-- who we should be focusing."

It didn't make sense to be sitting back and pursuing it this way, but pursuing who Corbo's associate are, by bank records-- I didn't think that was the way.

That's what I meant by the sentence.

Q. You are also aware that if and when the point came that-- when records were needed, that there would be additional delays in obtaining those records?

A. What you say is true.

I can't say that I really thought in those terms at the time.

I was really focusing on the fact that I didn't see what those particular bank records would do for us.

Q. You took those memorandum, had the changes made, and then you submitted them to Mr. Kellner?

A. Yes.

Q. You did not, at the same time, submit a copy to Mr. Feldman, as best you can recall; is

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that right?

A. That's correct.

Q. Were you surprised to find out that Mr. Kellner sent the memorandum into Justice, without running it by Mr. Feldman?

A. Yes.

Q. It was your expectation that in the normal course of events, he would run this by Mr. Feldman?

A. It certainly was my assumption that he would do that.

Q. Was he aware-- when you gave them the memorandum, that you had not yet run this by Jeff-- is that fair?

A. I don't recall whether I did or did not say that.

As best I can recall, I just took this copy with my-- the changes I had made, and said, "How is this," and I took it and then I later learned that he had sent it out.

Q. How much later? Do you recall?

A. I believe he must have done it either the day-- must have done it either the day he sent it out or a few-- within a day or two that he had it.

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Q. Now, all this may well have receded into insignificance, had the memo ultimately not leaked.

Do you now have any idea how the memorandum made its way into the public domain?

A. I don't know.

At various times I have heard rumors that it was in different peoples' hands.

I don't know whether that's true, or what is true or what isn't true.

Q. In whose hands are you referring to?

A. I heard at one time that some of the-- Senator Kerry had the memo.

I heard that another time, that Senator Luger had the memo.

I heard one time the Washington Times had the memorandum.

Q. Was this before the publishing of the leaks or the story?

A. Well, I--

Q. Was this before the memo appeared in the press or was this retrospectively--

A. It was well before the memo appeared in the press.

Q. From whom did you hear that those

people had gotten this memo?

A. Or may have them?

Q. Or may have them.

A. Generally, if not always, it was Ana Barnett relating something she had heard.

Q. Do you know what her source for that was?

A. No. No, but now, just to repeat it, many months after I had heard this, I heard that there had been a mass mailing to newspapers all over the country, and that was when we saw the whole memo coming out in the press, and everything like that, but that was many months after the three that we told you about.

Q. After you redrafted the memo, what was your next contact with the case?

A. Well, pulled aside, perhaps, occasional word here or there about what's going on, things of no particular significance.

The next thing that stands out in my mind was that some time in August-- and I don't remember when in August-- hearing from Leon Kellner that he had received a package from John Hull, and that it was making all kind of allegations against Senator Kerry, and it looked

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like John Hull was on his counterattack, and why is he sending it to me, what does he think I'm going to do with it.

Q. What did Mr. Kellner decide to do with that material?

A. Well, I know he was planning to make sure the Justice Department in Washington had a full set, and was fully aware of this.

In terms of investigating Senator Kerry or anything like that, that was just dismissed out of hand.

We weren't going to get involved in that.

Q. Did you have any discussion with Mr. Kellner at that point about the political implications of the affidavits, or investigating those affidavits?

A. I don't recall anything more than what I just indicated.

Q. At or about that time, I believe, the chronology will reflect that Mr. Feldman gave Mr. Kellner a copy of the prosecution memorandum that came over from the FBI.

Did you ever see that prosecution memorandum?

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A. I never read it.
I saw it sitting on Kellner's desk.

Q. Was it ever given to you to read?

A. No.

Q. Those are often two different questions, whether it has been given to you or--

A. No. It was never given to me to read, and I never read it.

Q. After the late August incident with the affidavits, what was your next contact with the case?

A. There may have been just occasional discussions with Ana Barnett, and Leon Kellner, and as articles would start to appear in the press, presenting us in an unfavorable light or suggesting things, but putting that aside, I don't recall any further involvement in the case until this meeting that is indicated on the Feldman chronology of December 2nd of 1986.

Q. Let's back up a little bit.
Do you recall a spate of publicity around the time of Mr. Garcia's sentencing, about alleged procrastination or delay in the handling of the case?

A. I guess the best way I can answer that, is I recall a spate of unflattering articles about us over a period of time, and continuing on up to the present.

I don't particularly associate a flurry of activity around the Garcia sentencing.

Q. Do you remember when the C-123 carrying Mr. Hasenfuss was shot down?

A. Yes.

Q. That was in early October of 1986.

Did you discuss with anyone in this office, the Hasenfuss crash, in the context of the Costa investigation?

A. No.

In those discussions-- if those discussions took place, I was not a part of it.

In early October, I was extremely busy on other matters, and I had nothing to do with the Costa case at that point.

Q. Mr. Feldman indicates in his chronology-- may indicate in his chronology, and if not, the record does, that Mr. Gregorie signed off on the prosecution memo in early November, and Mr. Feldman began-- he gave Mr. Feldman the go-ahead to go ahead with the grand jury in early November.

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Were you involved in those discussions at all?

A. No.

After I had handled those matters that I was working on full-time in the last of September, early October period, I left for an extended vacation, from mid-October to mid-November, and although I called in to the office on many occasions, there was no discussion about the Costa investigation.

Q. Let me ask you a series of general questions.

First, have you had any contact with anyone out there in the department, Main Justice, in the Department of Justice, about the Costa investigation, any direct contact?

A. No.

Q. That would include Mark Richard or Steve Trott~~er~~, or Jensen--

A. No. No-- no, with the exception of the people from the Office of Professional Responsibility who came down here maybe in March of 1987 to review some of the allegations that had been made against this office.

Q. Did you ever have any contact with Mr.

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Mathis concerning the Costa case, concerning Mr. Garcia?

A. No.

Q. Did you ever have any discussions about this Costa investigation, with reporters or journalists, which is a better term?

A. I don't believe I have.

Q. All right.

A. Everyone else has, but not me.

Q. How about a fellow named Murray Wass, W-a-s-s?

Have you ever had any contacts with him?

A. No-- well, yes. He called me last week to take a message, and I never returned the call.

He may have tried to reach me earlier, but to the best of my recollection, I have never spoken to Mr. Wass.

Q. Let me ask you in a way, what is one of the ultimate questions here.

Did anyone in the Department of Justice give or receive instructions to go slow or to conduct this investigation in any way, other than in the normal course?

A. No.

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Q. Did anyone ever make that suggestion, to your knowledge?

A. No. No, and if it happened, I would remember that.

It just did not happen.

Q. Have you spoken to Mr. Leiwant about the Costa matter?

A. No, with one exception, and that was the-- when Mr. Liewant came back from testifying before your committee, I was in Ana Barnett's office and he walked in and just started telling me what he had testified to.

Before that, I had never discussed this matter with him, and the only other time I have talked to him about this matter was in this past few days, and that was because the both of us having been subpoened by Congressman Hughes' sub-committee of the House.

The committee went over the same subject matter as we're covering today, and I told the marshall, rather than him having to find three busy attorneys, I'll just accept service for all three of us, and make sure that Jeff Feldman and Dave Leiwant get their copies, and so I gave Leiwant that subpoena, and before that, I had told the marshall-- had heard from the marshall that we had received a subpeona for that date and time, and then he asked me in the later conversation, was this going to be public testimony or deposition.

I'm not sure, was my answer, and who pays, and how does it get paid, and I said we just put in our travel authorizations like we ordinarily do, and that's been the extent of the discussion.

Q. You know I'm sure that Mr. Leiwant's recollectioin of the April 4th meeting, differs at least in one significant degree from yours, and that is the allegation that there was a telephone communication or suggestion or instruction from someone at Main Justice to go slow in the investigation.

A. My understanding is that what Dave Leiwant actually told you, is quite different, from what I was reading about in the press, what he allegedly said.

Q. I understand, and I'm not asking you to vouch for other people or really even characterize his testimony.

What I really wanted-- wanted to make that statement a predicate for my next question.

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Are you aware of any motivation that Mr Leiwant might have to misrepresent anything that occurred at that meeting, be it political motivation, a personal motivation, anything in that category at all?

A. I don't know of anything.

That's all I can say, that I'm convinced that he's mistaken, and-- and it has to be an honest mistake, that he-- having walked into the middle of something and not being familiar with the case, misunderstood something that was going on, something that was being said, or else there is some motivation that I have no knowledge of.

MR. MCGOUGH: That covers my questions.

BY MR. GENZMAN:

Q. I have just a few.

Regarding that meeting on April 4, 1986, do you recall how long the meeting lasted?

A. It was a fairly long meeting, and a-- I would say it had to be several hours.

How many, I couldn't say.

Q. And you do not recall Mr. Leiwant's presence at that meeting?

A. No.

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Q. There was someone who came in with a computer printout; is that correct?

A. That's right.

I do remember that, but I-- I know for-- I know now that it was Leiwant, but I just don't remember of my own, independent recollection.

Q. Do you recall how long this person was present?

A. No. I don't have the same recollection that other people have of the 20 minutes or whatever.

I just doesn't recall that.

Q. I believe you said that you recall no telephone calls relating to the Costa case during this meeting.

A. That's correct.

Q. If you had had-- if there had been received a telephone call regarding the Costa case during this meeting regarding the case, would you have remembered that, do you think?

A. I certainly would.

Q. I believe you said you spoke to Mr. Leiwant once after he was deposed.

Could you briefly relate what

statements he made.

A. As best I recall, he said, "I don't know why everyone is making a big deal about this. That's all that I said, was that Kellner received a call, and it looked like an important call, and after he got off the phone, he said they want him to go slow, but that he said it with such an expression on his face, that it was clear to me that he had no intention of paying any attention to that," and then he said something that struck me as really curious.

He said, "I thought the call came from Jensen, but apparently I was mistaken."

Despite my temptation, I resisted it, and didn't ask him what he meant by that, and then I says to him, "Dave, you know, I was in the room that day, and it just didn't happen," and I said, "I don't remember you being there. Do you remember me being there," and I said, "I don't remember you being there, but I remember being there when the events that we're talking about were happening, when the Boland Amendment was brought in, and we sat there discussing the Boland Amendment and discussing the Neutrality Act."

That was all I can recall of the

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conversation.

MR. GENZMAN: Thank you very much. I appreciate your time.

BY MR. MCGOUGH:

Q. One other question.

Do you have a date set for your appearance before the Hughes Committee?

A. Yes, I do.

It's next Thursday, the 23rd, I believe.

MR. MCGOUGH: Thanks.

(Thereupon the deposition was concluded.)

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CERTIFICATE

STATE OF FLORIDA:
: SS.
COUNTY OF DADE:

I, Stan Seplin, being a Certified Shorthand Reporter and Notary Public in and for the State of Florida at Large, do hereby certify that I reported in shorthand the deposition of Lawrence Scharf; that the deponent was first duly sworn by me; that reading and signing of the deposition were waived by the deponent, and that the foregoing pages, numbered from 1 through 76, inclusive, constitute a true and correct transcription of my shorthand notes of the deposition.

I further certify that I am not of counsel, I am not related to nor employed by an attorney to this suit, nor interested in the outcome thereof.

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IN WITNESS WHEREOF I have hereunto affixed my hand this 27th day of July, 1987.

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Date 3-2 /87

C O N F I D E N T I A L

SENATE SELECT COMMITTEE
ON SECRET MILITARY ASSISTANCE TO
IRAN AND THE NICARAGUAN OPPOSITION

[illegible] 1 [illegible] 2 [illegible]

DEPOSITION OF LT. GENERAL ROBERT L. SCHWEITZER

Washington, D. C.
Tuesday, March 17, 1987

Deposition of LT. GENERAL ROBERT L. SCHWEITZER, called for examination by the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition, at the Senate Hart Office Building, Suite 901, at 11:00 a.m. before JOEL BREITNER, a Notary Public within and for the District of Columbia, when were present:

CLARENCE H. ALBRIGHT, JR.
MARK BELNICK
JOHN SAXON
CRAIG KELLOR
LARRY EMBRY

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P R O C E E D I N G S

MR. BELNICK: We are here to take testimony from General Robert L. Schweitzer, and I would like the record to reflect that although a subpoena was issued by this Committee, and notice of deposition, to General Schweitzer, asking for his appearance at 9:00 a.m. on March 20, General Schweitzer has appeared here voluntarily this morning to give testimony and, in consideration of that voluntary appearance, the Committee will be pleased to withdraw the subpoena and notice of deposition.

Is that acceptable to you, sir?

GENERAL SCHWEITZER: Thank you.

MR. BELNICK: For the record, let me mark as Exhibit 1 the subpoena and notice of deposition to General Schweitzer, which we are withdrawing in consideration of his voluntary appearance here this morning.

(Exhibit 1 identified.)

GENERAL SCHWEITZER: I would like the record to reflect that had anybody asked me to come in I would have been glad to do so.

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Whereupon,

GENERAL ROBERT L. SCHWEITZER

Was called as a witness and, having first been duly sworn, was examined and testified as follows:

EXAMINATION

BY MR. BELNICK:

Q General, if I can just refer for information purposes to the document request which the Committee has made of you, as it was attached to the subpoena which has now been withdrawn, Exhibit 1, I understand that you were -- that you looked for the documents of the type requested in the Committee's subpoena. Did you find any such documents?

A Well, I knew I had none.

Q So you have not found --

A I have no documents that pertain either to your charter or what you are asking for, nor have I disposed of any, nor did I ever have any such documents in my possession.

Q Yes, sir. You had mentioned to me when we spoke on the phone that you were planning to be in touch with Geomilitech, if possible, to see if they had certain documents that you believed could be helpful to the Committee's investigation. Do you recall that?

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A Yes.

Q Were you in touch with Geomilitech?

A I did, and they have obviously declined to provide them to me or to you, voluntarily. Because I made the call Saturday, immediately speaking to you and getting your request form, because I do think they are relevant and I think there are other things they have that would be relevant or in the personal possession of Barbara Studley, and/or her son, Michael Marks. But they obviously declined because they did not call me back at any time, Saturday, Sunday, Monday, or today. We have had somebody in the house almost every single hour, and I didn't renew the request.

Q To whom did you speak?

A Michael Marks, who is a graduate of a Florida law school and, I thought, was the best person to approach on it since he would appreciate both the legal propriety, requirements, and reasonableness of your request.

Q Yes, sir. Marks, for the record is spelled M-a-r --

A k-s.

Q What are the documents, General, that you had in mind that you were seeking from Geomilitech?

A Well, you had asked me --

Q Yes.

A -- what -- I think you have to put a frame, if we may, for this.

Q Sure.

A You had asked me about Geomilitech's dealings with Latin America, arising out of the newspaper interview that Barbara Studley gave to the president of Geomilitech -- gave to the Washington Post, Ben Vicer and Joe Picarillo; an interview that appeared, I think, about a week ago. It was in that context that I told you that during the time I was there at Geomilitech, from 1 September to 20 February, 1 September '86, 20 February '87, that nothing was sold, bartered, exchanged or provided to anybody down in Latin America. Not only nobody in Central America, but nobody in Latin America or the Caribbean Basin. In other words, there was no business conducted.

I mentioned, I said, to the contrary, there were at least two letters that I authored, and I think there are more than two, but at least two: One to people [redacted] and one to General Hustillo, the chief of the Salvadoran Air Force, which politely deflected their interests in pursuing,

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[redacted] and in the case of General Rustillo, to get some advanced jet aircraft. My letters politely deflected them from dealing with Geomilitech. The reasons were --

Q When was this, sir?

A The letters were last fall. Again, I was just there 1 September to 20 February, '87.

Q Fall of '86.

A [redacted]

In the case of General Rustillo, following the aircraft -- the earthquake, I'm sorry, correction -- I authored a letter which I signed, saying that it was, that they would probably wish to use whatever scarce resources they had to take care of their earthquake victims and the earthquake needs -- the earthquake had undoubtedly given them other priorities. The aircraft that GMT was offering to them, at an earlier request of General Bustillo, wasn't something that we had -- that Geomilitech had initiated prior to joining them -- was a Fougamagister-type aircraft. That is also not a combat aircraft, although it could be armed. It is a trainer, jet trainer. It is the least expensive jet trainer that they could possibly buy that I know of.

However, when I was asked to follow this, I had two concerns. One was was it in the national interest of the United States to do that. In the case of El Salvador, their economy is a shambles because of the insurgency that they have been fighting successfully, and their banker, really, certainly to all military matters, is the Defense Security Assistance Agency and the Assistant Secretary -- Deputy Assistant Secretary of Defense for Latin America. At that time, Nestor Sanchez.

I went over to see Nestor Sanchez and told him about the initiative and asked what was the security interests of the United States in it? And he told me, quite properly, that he could not direct a businessman or a business company to pursue or not to pursue anything, but they really -- really, it was very clear, they really wished we wouldn't. [redacted]

I think we would all wish that the world of Central America were such that all of the resources could be applied to meet political reforms, the economic renovation of the whole region, and social justice concerns. That certainly would be my personal agenda if I could ever carry it out. But there is a real Communist threat down there that was a short time ago eating them alive, and there is still a continuing need for certain military items with which to defend themselves. In my opinion, these did not include further advanced jet aircraft.

They had some Fougamagister, that's a French aircraft, which were being retrofitted, upgraded, repaired, renovated, refurbished, whatever you wish to call it, under a government contract. [redacted] They had every right to ask for them and it was quite professional for General Bustillo to ask for the most advanced jet aircraft he could get; he's a professional air man. You want to fly the fastest and the highest. That's a professional or parochial desideratum, but the objective reality is not necessarily the same.

So we wrote that letter, and I offered those to you to show you --

Q Yes, sir.

A -- because on another point you asked me something about Geomilitech --

Q Right.

A To show that this was not a corporation that was out there to make a dollar at the expense of U.S. national priorities, or the priorities of the country, or the sensitive concerns of law and ethics, [redacted]

Q General, I appreciate that.

A That's why that is relevant.

Q All right, sir. I appreciate that.

I'm going to turn the examination over to Messrs. Albright and Saxon. Before I go I just wanted to note for the record that the Committee is aware of your distinguished career in the military and we are grateful for your cooperation and your appearance here today. Bud, John?

THE WITNESS: Thank you, sir.

(Messrs. Helnick and Embry left the deposition.)

EXAMINATION

BY MR. ALBRIGHT:

Q General, let's go back a little bit. I'm generally familiar with your background, would you give us a bit of your -- give us your military assignment history, if you would.

A How far back do you want me to go?

A Oh, back to 1978?

A I think that's probably a pretty good place to begin, because it shows the lack of contact with Latin America. At that time I was the chief of the policy branch at SHAPE Headquarters, in Belgium, a NATO assignment which I held for approximately five years, serving General Haig, who was then the Supreme Allied Commander for Europe as well as the commander in chief for all U.S. Forces, Army, Navy, and Air Force, Marines, in the European Theatre.

I left that assignment and, in 1979, became the director of strategy, plans, and policy in the Office of the

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Deputy Chief of Staff for Operations, the DCSOPS, it's called, D-C-S-O-P-S, on the Army staff, and that meant that I had an interface on all joint actions. About 90 percent of the joint actions on the Army staff originate in the office of the director, strategy plans and policy, and they run, to use the Pentagon term, the other 10 percent through the joint system.

I left that assignment as a major general in the December-January -- December '80, January of '81, to go to the White House as a volunteer, to serve on the National Security Council staff. I very much did not want to go. In fact, I came back from the initial interview to tell the Chief of Staff of the Army that I would probably not be selected because I expressed the desire not to serve there, and he told me very pointedly that he would decide where I served -- where I would best serve the Army.

It turned out that that was exactly the wrong thing to say over there. If I had expressed a salivating desire to serve on the NSC, I might have escaped the assignment. The fact I made clear I didn't want to be there turned out to be exactly what they were looking for.

Q Why was it you did not want to serve there?

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A I wanted to be with troops. I wanted to serve with soldiers and I thought I had paid my dues, in order to do that, by my stint on the Army staff from '79 to '80, late '80, and that, hopefully, I would be given a division command rather than another staff assignment in the White House. I had worked in the White House before as an ad hoc assignment as a lieutenant colonel and I had no desire to go back there.

But I was the, in 1981, senior military officer on active duty serving the President of the United States in the White House system. I was Director of the Defense Group, was the title.

In that context, I had responsibility for all of the Department of Defense program, all of arms control, all of the veterans programs, the entire defense budget, and, of course, the area -- the interface with all the area problems: The Middle East, the Far East, Latin America were included in those.

At that time there was nobody, when I first joined, we were waiting the arrival of Dr. Roger Fontaine, a very brilliant, good NSC Staff member who had not come aboard at that point so I, because of familiarity, I would decline

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to call it expertise -- familiarity with Latin America, had primary responsibility for about a month, month and a half for the Latin American concerns or issues.

In, I guess, about December '81, January '82, I returned to the White House -- from the White House to the Department of Defense and became, at this time, again, the director of strategy plans and policy. And, as an additional duty, the deputy assistant to the Chief of Staff of Operations for Joint Affairs. Responsibilities were, in effect, doubled, and so was the span of control of people with whom I worked.

MR. SAXON: General, if I can ask you--

THE WITNESS: I went there to become the chairman of the General Defense Board, just to finish the chronology, in 1983, a position I held until the summer of '86. I retired on 1 September of '86. That's the relevant points.

BY MR. SAXON:

Q Unless there's a typographical error, there appears to be a gap on your resume of career service from November of '81, when you left the SNC, to January of '82. Was there a month or two there where you --

A I was a special assistant to the Chief of Staff for Operations. Actually a good part of that time I was supposed to have left the White House, but the president did not want me to leave. I remained assigned there, continuing to perform duties and tasks. Nothing, incidentally, that would in any way resemble what you are looking into now. Just normal staff duties and assignments.

The reason for my departure was I was asked to give a speech which had previously been cleared and used, which -- before an audience at which there were to be no journalists. I gave the speech, the journalists reported it, and in the rather Byzantine way in which decisions were made in the White House, I was told it would be better if I left. Which I was very happy to do.

The secretary of state, now Mr. Alexander Haig, went to see the president to protest this. The president, he said, he had tears in his eyes but said it's too late. They have already announced it.

I was nonetheless very happy to have that opportunity to leave a job I didn't want in the first place.

Q You should have given that speech earlier.

(Laughter.)

A All the speech was, incidentally, was a projection

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of the various threats, all of which I projected -- I'd rather say that than predicted, because there was nothing mystical about it, you just took trends, evidence, laid it out and projected what was going to happen -- all of those threats actuated. My thesis was, it was not, therefore we need a bigger defense budget or we need this or we need that, but rather if you do something about these threats, even incompletely, they will not occur.

I used the analogy of Heisenberg's Law, subatomic physics, might be useful for this Committee. The law of variables. When you study the field, you alter it, and then predicted events do not occur. The law of variables.

I think you might take some comfort in that as you struggle through this, as you described earlier to me as a "mess." And that's what I was doing. I was showing you have all these events, but if you attack them with economic, political, social reforms, apply resources modestly, you don't have to apply them totally to do it, then these -- all these different threats, if they don't go away, will at least not come and eat you alive. You can defer them, stop them, prevent them. You can turn them around.

It was a good talk from the standpoint of

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intellectual content, and there was nothing unreasonable or hysterical or wrongful about it but they chose, because it got media attention which was deemed that morning in the White House mess to be unfavorable by the troika that then decided everything, it was decided I should go.

As I said, I was happy to receive that judgment, but they didn't want me to leave, so that explains most of the gap, although I think a portion of that, late December and early January, I served as a special assistant to the chief of staff, and worked and wrote the paper which is now the reform of the joint chiefs of staff, that whole new system that you on the Hill and the Pentagon are bringing forward.

Q During your tenure in the NSC Staff, who was the National Security Adviser?

A Richard Allen.

Q And who was the military assistant to the NSC Adviser?

A Initially we didn't have one. It was John Poindexter and they were going to bring him -- he was ~~s~~ nominee, designee. They were going to bring him forward immediately, and I pled with Richard Allen. I said I will do

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whatever it is you want him to do additional that I'm doing, but don't make him come forward now. He had children in school, he was in Florida, I think in Pensacola if I have it right. I said there's nothing more brutal, cruel or unreasonable than to bring a guy forward unless you really have to have him. Since he's never done this work before, I am going to suggest to you we can wait until the kids are out of school. That was done.

So I did a number of those things or they went undone. But Captain, I think he was Frochtis, a rear admiral, sort of a brevet promotion, John Poindexter came by my recollection May or June of '81.

Q Was there a period of overlap when Admiral Poindexter was there as military assistant and you were likewise on the NSC Staff?

A Yes. He didn't replace me at all. He began doing very nominal duties. I think, in some ways, you could describe what he did as more appropriate for what an operations sergeant in one of our command and control centers would do: You know, posting maps, taking messages. He started as many people do.

In fact, if you go back in history, when, I

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believe, he was a lieutenant colonel, Al Haig filled a similar position under Henry Kissinger. He was brought in to post maps and explain what a LP was or an OP, and what an ambush meant. He had just come back from commanding in Vietnam. And they wanted more of a technical help, but because he was so good -- the job that he filled grew, the responsibilities grew to where he finally became the Assistant to the President for National Security. Somewhat as has happened to John Poindexter.

Q Could you render for the Committee an opinion as to the professional competence and patriotism of Admiral Poindexter?

A Right. I would like to.

I found him, and it's almost humorous in the context of what I'm reading and seeing -- hearing about today -- to be the most prudent of men, the most honorable of men, and the man most unlikely to undertake any of the initiatives which he is said, in the media, to have undertaken in concert with Lieutenant Colonel Oliver North.

You know, his patriotism, his dedication, his rectitude, his moral sense of propriety, of right and wrong, what you can and can't do under the law, were extraordinarily

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high. I would say all of the same things about Lieutenant Colonel North, and I will say more when you ask me about him. But Admiral Poindexter, there was, with respect to Admiral Poindexter, there was in my judgment, and it's a humble one and I'll show you how that judgment would change over time, I would not have ever taken as the APNS, or had I been the one to ask -- to recommend who this person should be, ever have given the number one graduate of Annapolis -- I didn't even know he was the number one graduate, a very humble man, he didn't put that word out to anybody -- who had a Phd in hard science -- that is not the kind of person that you need on the NSC Staff.

You need somebody with expertise in broad policy, and we'll come to that when we talk about Colonel North.

Q Is it your sense that Admiral Poindexter was a man who followed the chain of command and sought approval or had approval before he acted?

A Yes. And I think that that is one of the reasons that he was selected.

This is opinion, but it's informed opinion because with the context that I have, I've heard a lot of things, that they wanted somebody who would not be threatening.

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If you look at the succession of APNSs from Richard Allen forward, with the one who had the most access to the president, was the most powerful and the most effective, in my judgment, was the second one, the judge, coming from State as he did and with access to the president, he had the ability to go in to sigh the president and did.

Q You mean Judge Clark?

A Judge Clark. Judge Clark not only could go in, but he would say to the president, Michael Deaver has misinformed you concerning the facts on that situation. Here are the correct facts.

And he could do that without acrimony or venom or vitriol. They just had a relationship where he could say you have not been correctly informed. Here are the correct facts.

Further, Judge Clark did not consider himself to be a foreign policy expert. I think he was a very great one. But he always brought in the area expert and he would have the area expert make the presentation to the president so when he left -- which was over contentious matters on who was responsible for what and who was going to work in the national security area and who was not, as I understand it --

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remember I'm not there so this is not direct knowledge, but again informed -- Bud McFarlane, whom he brought from state to be his deputy, became the APNS.

Bud McFarlane is another man whom I have known for many years, outstanding integrity. I could never believe, would never believe he would ever say anything that was untrue. Incidentally I would say the same about John Poindexter.

But he was viewed, because he was not a political appointee, as nonthreatening to the people in the White House. Therefore --

Q "He," to whom are you referring now?

A McFarlane. Therefore somebody you could trust.

So there was always from that time forward a tendency to get somebody in there who would, as you described it, would follow the chain of command, would make recommendations, would take orders, and not be an initiator of adversarial actions in the White House system.

Q Let me follow, then, if I could --

A I'm giving you all of this, incidentally, under my oath to the best of my knowledge and belief. I can be wrong on this, but you have asked me what I know and what I think.

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With the caveat that I can be wrong, I'm presenting it to you as I know or understand or believe the situation to be.

Q We understand that and appreciate it.

Let me follow, if I could, for a moment about Admiral Poindexter. I read what you are saying to suggest that he would have difficulty telling the President of the United States bad news.

A No. I don't think so. Not at all. I think -- you know, he's a very straightforward man, and I believe -- and I thank you for the question because it gives me the opportunity to show the change.

People have asked me to, and invited me and given me opportunities to, criticize Admiral Poindexter because of his lack of policy expertise and background, prior to coming to the White House. But I would tell you that's nonsense, that anybody who served there as long as he did, seven days a week, he had the benefit of a Harvard-Yale-Princeton-Berkeley-University of Chicago PhD in international relations at the behavioral level because of what he was doing, and the way he moved from step to step, starting with humble tasks and to answering -- returning phone calls, and then working the substance of the papers. I

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believe that he would present bad news, just as I would. And I think that he would not have hesitated to do that.

Q You juxtaposed a description of Judge Clark to your description of Admiral Poindexter and said that Judge Clark could go into the president and say: Mike Deaver is giving you bad advice. Would Admiral Poindexter go in and say: As you know, we are doing X to carry out your wishes, but you should know that the secretary of defense does not agree, or the secretary of state does not agree, or whatever?

A I believe he would. I know that when I was there, I took -- and this will become, I think, very relevant as we go forward because I would imagine one of your questions is going to be: How could all of this happen if it did happen? And I would tell you I don't know, because it could not have happened in 1981, both the way Mr. Allen operated and I operated. Nobody on the NSC Staff could have called over to the Pentagon or anywhere else in the government and put into operation the things that are alleged to have been put into operation by NSC staffers.

The way I operated was, I made sure that if there was an issue that I was writing on or recommending on, that the departments knew that I was working that action so there were no secret initiatives. They had a copy of my paper. I invited them to give me their comments, either telephonically, if there wasn't time -- often there wasn't, you get tasked to do something in literally five minutes. But, if there was time I would get their paper and attach it to mine.

Similarly, if they initiated the action and I took issue with it, I would give them a copy of my cover memo that went in so they would see that there was somebody on the NSC Staff who was disagreeing with it.

I believe, as I think has been brought out beautifully in the Tower Report, exactly, and articulated it the same way, what the function of the NSC Staff is, to generate options, make sure -- I would express it a little differently than they did -- to make sure that all hobby horses that the different agencies and departments are determined to ride through the halls of the White House are identified as hobby horses; the advantages and disadvantages of all the options are there. Any suppressed options, because some department doesn't want a certain option to get surfaced -- be surfaced together with the risks as well as the opportunities. So you bring the downside and opportunities as well as the downside on every action.

And, as a major general in 1981, there is no way I could have called over to any department and put in train the things that the media says Lieutenant Colonel North did. So, if you ask me how could he have done it, as Mr. Belnick did in an informal conversation before, my answer under oath is: I don't know. I can't even imagine hoe he could have done it.

Q Let me return to Admiral Poindexter. I assume you sat in meetings with John Poindexter while you were at the NSC?

A Yes.

Q Was he a frequent note taker?

A Yes.

Q Did he often take notes?

A Yes, yes, he did. And that was --

Q Did he take lots of notes?

A That was, I would call, his learning phase. Remember he came in with this rather special, very distinguished but specialized background, and had not brought him into the policy arena, to my knowledge, and he was always very quiet in the meetings but he took careful notes, he listened, and he was very reflective, a very reflective thinker, and that was obvious in the discussions that I would have with him. Clearly he was a very thoughtful man.

Q Do you have any information as to what his practice was, his personal practice, for the care and use and treatment of his notes?

A No. And I'm sure that it evolved over time.

I had recommended, along with a Dr. Norman Bailey, that they install the computers. If you wish, I can talk to you about how I think the computers were the nail in this --

Q My understanding is that came after your tenure --

A That's right. They didn't arrive until after Bud MacFarland's tenure. But I tried to get them in early because we were doing, you know, rather, to me, in an unusual way, we were working with stubby pencils on taskings. And we needed some way to communicate back and forth more quickly and to be able to get that up. But there's some disadvantages to that system.

Q Can you tell us anything about the staffing of the NSC under Richard Allen as the Reagan Administration came into office? What the philosophy was, as you observed it, for staffing the NSC and the kinds of people that Dick Allen

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selected?

A Well, I think he tried to bring in the best possible people he could get. I think there were a certain amount of people from the campaign who they tried to find a place for. Not all of them stayed. But who had legitimate credentials to be there, for the most part. I think there were some junior staffers who should not have been assigned there but put elsewhere in the government. And they are all, now, gone.

The staff structure was to have different groups. I had the Defense Group. There was a foreign policy group. There was an economic group, an intelligence group and, I believe, I recall the long range planning group was formed.

The groups, then, reported to Richard Allen through two deputies. One very capable woman, Janet Coleson, who had been associated with Richard Allen before and with the campaign; and the other, a tremendous man with great basic instincts and tremendous integrity and a very good man to work with, Admiral Nance, Rear Admiral Nance, retired.

The way that people worked the different groups varied with the individuals. The man who headed, now ambassador in Korea, Jim Lilly, a very outstanding guy,

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called all the people in the Foreign Policy Group together. I think it was February, said this is the first meeting of the Foreign Policy Group. It is going to be the last. I'm not interested in things I don't know anything about. You do your own thing. I'm supposed to be in charge of you. If there's anything administrative, I'll pass it down, but you deal directly with Dick, that's Richard Allen.

The Defense Group, I worked in a way where I said I need to know what you are doing. It should come through me. And, in no way will I stop any paper that you wish to send forward, you have total freedom of expression because you are all professionals, civilians, but I want to see what you are doing; and I did run the Defense Group in what I would consider a rational way for the types of activity we were in.

We can't all be on different sheets of music and know that I will, if I think you are wrong, attempt to dissuade you. If I can't dissuade you I'll put a cover memorandum on top of your paper. And I did all of those things.

Q You said Mr. Allen chose to select people who were the best. There are allegations that his criteria for determining "best" tended to be less in the substantive areas as previously NSC advisers and numerous administrations would have selected, and rather, tended to be more ideological.

Did you, from your observations, form that opinion?

A No. No. You know, I think there's a lot of silliness been written about that.

Obviously everybody has some ideology. You do or you wouldn't be in this room. Then, you know, the caricature is to say ideologue. Ideologue is bad; having a ideology or philosophical framework with which you conduct your actions, that presumably is good because everybody has to have that.

I think that they did have people with some very strong views who came in, with the hobby horse approach. But when they were identified, Richard Allen was the first to downweight their papers and assess the thinness of the action. You know, if you got too emotionally involved because you had some private agenda of your own or extreme position on a paper, he would be the first to disabuse the person of that idea and downgrade the paper from having any significant input.

I think what you have to understand about Richard

Allen is that when he came in, you have to have, in a National Security Council, a purpose, a clearly defined purpose.

I would feel that, in the 40-year history, there was always a clearly defined purpose for the National Security Council, until we came to that first year of the Reagan Administration and the clearly defined purpose did not exist. Not because Richard Allen didn't know what it was or want to define it in the traditional sense, as Scowcroft and Senator Tower and former Senator Muskie do in their very good report -- but the way the government was being run was by a troika, the way the White House was being run was a troika and the way the government was being run was through a cabinet system. Everybody wanted to do that and nobody really knew whether it was going to work or not. It didn't.

Particularly it didn't in the handling of National Security Council affairs. But Richard Allen was loyal to the concept. He believed, and you should bring him in and let him testify for himself on this, he believed, in my discussions with him, that eventually all this would work its way out and we would come back to the traditional way of doing things in the National Security Council staff. And I think that now has happened.

Q Let us ask you about Colonel North.

A But you can't blame it on Richard Allen. I think it would be an injustice to him, and I'm not here as his defense counsel or even a personal friend. It's just an objective fact that he was given a situation that he really didn't agree with or like or know, and knew was not in the best interests of the NSC, the president, or the national security of the -- system of the United States. And he sought to change it.

Q Let us ask you about Colonel North. I assume he worked for you?

A Yes, he did. From August until I left.

Q Can you give us an informed opinion about him?

A Again, here is a man who would -- knew the difference between right and wrong on matters large and small. He had a very finely developed moral sense and conscience, was very respectful of law, national law, legislative law. We had discussions on different issues on that where this came out, who would not knowingly do, I would say, Colonel North that I knew would be incapable of doing anything that he believed was wrong, let alone anything that

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he knew was wrong or in violation of law.

Now, if he did, then that's a different Colonel North from the one that I knew intimately during the time I worked with him, and continued to know in periodic contacts from the time I left until the time all this occurred. I have not met with him since all this began to happen.

Q In your opinion, was he, as a career military officer, was he the type of individual who would have sought and acted with approval?

A Absolutely. I think, you know, he was -- all the good things that have appeared about him, I saw. The hard-working, dedicated, patriotic, willing to exert any effort, very loyal to the president, and he understood what the president wanted to do. And he, as I, was appalled by the way the president had people working for him in the other departments who were determined to subvert his policies, to sabotage them, to leak them, to break down or work against them.

For Colonel North and myself, and I think every military man that I have ever known, this is anathema. We cannot comprehend it.

I worked in very close contact with the White

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House staff on many items, but especially Latin America at the end of the Carter Administration. I did not agree with many of their positions. But it never occurred to me that I would oppose, other than in argument in meetings in the wells -- the situation room -- what they were doing. And once the decision was made, I loyally went out and executed it even though I thought it wasn't what we ought to be doing.

I think the interesting thing was at the end of the Carter Administration, those people, David Aaron, Bob Pastor, moved to the right of me as to what we should be doing in Latin America. They became so exasperated with Fidel Castro and the betrayal of their very good, noble aspirations and their idealism and their efforts to achieve peace and stability and economic development in the area that they wanted to do a lot more than I thought was doable or reasonable.

But the point is that, if you are a serving civil servant or military officer assigned to the White House or anywhere in the government, you argue your case, the decision is made and then you loyally carry out those orders, unless you know that it is in contravention of law, the law of Congress, or there is something morally wrong. At which time

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you either resign or you appeal through the system to an inspector general, to a ombudsman, and now we have all kinds of ways to do that. You know, you can appeal -- you write your Congressman.

Q General, you have got a long and distinguished military career. You have seen a lot of senior officers and a lot of junior officers, do you consider yourself a pretty good judge of people in the military?

A I think so.

Q In light of that, and in light of what you've said about Colonel North, as we read the Tower Commission report, as we read and hear and observe things that have unfolded in the last few months, we see descriptions of Colonel North as a loose cannon, a free agent, a national security entrepreneur; how does that fit with your impression of him?

A That's not the Colonel North I knew. He could have metamorphosized into that, but if he did, he did it without my knowledge and, as I would tell you at some point in these proceedings -- maybe now is as good a time as any. Although I had infrequent but sustained contact with him from the time I left to the 5th of October, I never once heard him discuss with me on an old boy network, or for advice, any of

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these things that are being revealed.

There could have been a number of reasons. One, that he would know I would oppose all of this. I certainly would have if, indeed, it happened. Two, it -- if it was close hold, then he shouldn't discuss it with me and he didn't. And, three, it may never have happened, or at least happened the way it is being laid out.

But I would not believe that he was any of those things. In fact, I have one evaluation that I would respectfully offer on the Tower Report, which I think is an outstanding document by three very great men.

I disagree with only two things in it. One, I think they were too hard on Secretary Shultz and Secretary Weinberger. I know a great deal about the Defense side of it. Less about the State. But I know in the Defense Department, that once the Boland Amendment was passed -- footnote to that, everybody talks about the Boland Amendment, there's bicameral legislation that went beyond the Boland Amendment and really replaced it, about what you could and couldn't do in Central America. And, in the Defense Department, the two driving motives were to make sure we obeyed the law scrupulously, and, two, that we didn't do

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anything that would involve us in any way in contravention of that law.

So when they talk of Secretary Weinberger distancing himself -- and I can't believe that he didn't represent himself very strongly, as being opposed to some of those things -- that's what he had to do to comply with the law. Because if he kept being involved in it, then he wouldn't be in compliance with the law.

I know the Pentagon would not allow discussions on the Contras or what they were doing, except in the intelligence community, the reporting of it. So I think they were unfairly hard on Secretary Weinberger and Secretary Shultz, with all due respect to a great report by three great men.

But on the other point, which is more relevant to your line of questioning, I believe they are wrong fundamentally when they say the system didn't fail, the people did.

No. The system failed. It didn't fail, and I think this was the point of Brent Scowcroft, because I can see his pen throughout that paper, I admire him very much. The point he was trying to make was we don't need new

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legislation. And I believe that very deeply. We don't need a new law. We don't need Congressional direction of how to run White House staff or the NSC. We did need laws initially and they are adequate, effective and they work.

Where the system broke down, if it did break down, was within the White House system itself. And it can be refined or corrected, as I believe the newest APNS, Mr. Carlucci, is doing. I know, him very well.

I think that's a very important point in my humble but still professional judgment. The system did fail.

BY MR. ALBRIGHT:

Q You stated earlier that Colonel North had identified, and that you had identified, agencies that were trying to contravene the president's -- specifically President Reagan's foreign policy initiatives. What agencies or what particular people were those?

A Well, I really would like not to have to identify. I will if you insist.

Q Well, let's identify agencies first.

A Well, I think that, if I can just speak to it generally, there were people in the government who, out of conscience, but I think wrongfully formed, took a great deal

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of pride, a great deal of pleasure in substituting their judgment for the president's judgment in order to subvert his policies. Where I never ran into a military man who would do this, and perhaps there are some, I found some of the civilians would do this because they felt that they were morally justified in doing it.

What that is for me is that's substituting my judgment for the judgment of a system and the president whom I'm supposed to be loyally serving. And I'm saying that because I'm right and he's wrong, I can now reveal very sensitive classified information, which happened time after time. I can ambush programs before they are developed by going to the New York Times or the Washington Post with the outline of a very sensitive classified proposal that is in embryonic fashion, in order to get it out in the press so everybody will throw stones at it and kill it before it can ever get off the ground, get legs, move around or be fleshed out to be a meaningful program.

I think this is unconscionable. It's wrong. It's in violation of law because it always involved, in my area, national security policy, not talking about other departments or agencies, would involve very sensitive classified

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information. So, not only is it disloyal but it's against the law.

I don't know if your Committee is going to go into it, but I think somehow some committee of Congress has got to find a solution to the fact that we are, as a government -- I've now watched it over four administrations -- incapable of making effective foreign policy because of this growing tendency to take sensitive information, because you oppose the policy that's being proposed, even before it is decided on, and reveal it to somebody in the press in order to kill the idea in the pass.

I think we've really got a serious problem. You can't make effective foreign policy in public. It's a contradiction in terms.

MR. ALBRIGHT: Let's go off the record.

(Recess.)

BY MR. ALBRIGHT:

Q Let's move to General Singlaub. When did you first meet him?

A He's a legendary guy, you know, World War II, seceded to the Central Intelligence Agency about probably 20 years ago, hasn't worked with them since, but is really a

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Homeric figure in the sense of all this counterinsurgency stuff; former president of the World Anti-Communist League, just turned it over, and chair of the Council for Freedom. You are going to see him tomorrow or somebody here is, because he thinks he's coming here to talk to you.

Q Where is he now, do you know?

A In Denver doing his income tax, which I shall do when I leave here. Then he's going back to the Philippines, where he is working on a project that has nothing to do with counterinsurgency. Can we go off the record?

MR. ALBRIGHT: Yes.

(Discussion off the record.)

BY MR. ALBRIGHT:

Q Just give us a brief background, if you will, on what we've just discussed, your association, historical association with General Singlaub?

A I met him in Vietnam when he worked on special operations. I had many tours over there. Only in the context of professional military work, but briefly I saw him at least twice on my two Pentagon tours, maybe three times, and heard his appeal that we be alert and resourceful and do something to stem the tide, the war that we were losing to

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communism. There is a subversive war being fought in many countries and the free world is losing that war, that's essentially his message, because we are not doing the right things.

I happen to agree with that. I listened to him, and I saw there were two meetings in the White House that Richard Allen asked me to receive him. He also met with Richard Allen and other people over there, maybe Ed Meese, I don't remember. I think it was Ed Meese, on other occasions. Perhaps three or four in '81. I don't know what was discussed at those meetings. I would assume it was the same thing.

He told me we needed desperately a strategy for Latin America. I told him in January, February of '81 that one was being developed. Indeed we had put one forward, first draft, 16th of February. And I've had no -- I have had a great deal of contact with him in this venture that he is engaged in in the Philippines, which has nothing to do with making coups, as the disinformation program has said, counterinsurgency programs to help the Philippine Army; but rather to locate the gold that was hidden there [redacted]

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Q You say that General Singlaub is presently in Denver. Is he going to be here tomorrow?

A Yes. To come to this Committee, he thinks.

Q All right. Do you know where he's planning on staying in Washington?

A No. But if you will give me your phone number, I know he'll be in contact with me as soon as he comes in, and I'll tell him how to get hold of you. He will probably stay at Wainwright Hall, at Fort Myers, if there's an available room because it's secure and convenient.

Q All right. I'll get you my number as soon as we finish here.

A Yes. I gathered from our earlier conversation you weren't expecting him. He's certainly expecting to come here. That's why he's coming into town.

Q A lot of us are handling different areas.

A I understand.

Q Let's talk about Geomilitech just a bit. What is your present relationship with Geomilitech?

A None. I resigned --

Q What is the historical?

A On the 20th of February.

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Q Why did you resign?

A Is it necessary to go into that?

Q Personal?

A I would say matters of principle, integrity. Not mine. Theirs. And I left them for that reason. But not anything that involves your Committee or your investigation. If it were even remotely connected to it I would tell you.

Q All right. Give us some --

A It's not a personality conflict.

Q Give us some historical background. You joined Geomilitech as an adviser?

A No. I was supposed to be the executive vice president, and I really did not think that I was. I think that was a title I was given, but I didn't function as an executive vice president. That was one of the reasons that I resigned. But I did learn while I was there, and it was stated -- whether it's true or not, you would have to obtain from Barbara Studley, not acting as Geomilitech but as Barbara Studley, that she gave $100,000 in services, air fares, her personal travel, but contributed at least that much, and General Singlaub told me that's true, she did, to arranging for a shipment of arms, which she has revealed in a

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press interview about a week or two ago in the Washington Post.

That was during the time that this legislation was in effect. So that would put it back about '85, but it preceded the time I was with the company. And I never saw or found any records in files that pertained to that action, but I know she has them at the house.

Q Are you discussing now the '85 shipment --

A Yes.

Q -- that went --

A Offshore.

Q -- offshore, into a Honduran corporation there?

A Right.

Q And to a Swiss bank account?

A Right.

Q I wanted to talk about that.

A I really don't know anything except little snatches of conversation. What I could give you could be misleading.

Q But she would know --

A There's one very relevant point which I hope she has the perspicacity to tell you about. [redacted]

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the shipper, I think it's [redacted], I could be wrong on the name, when he was asked to undertake this shipment -- he was the former -- did the right thing.

Q Let me ask you, how do you spell [redacted]?

A [redacted]

He went to see -- this is his story, but I believe him because he's, again, a high integrity guy -- went to see the United States District Attorney in Washington and said: I have been asked to undertake this shipment. Is it legal?

The U.S. District Attorney researched the law, at that time it was the Boland Amendment, we didn't have, as I understand it, the bicameral legislation -- and said I see nothing illegal in this. I have been told that this particular man, whose name I never heard, stepped down, transferred or left -- I believe he left the government, went into private practice. [redacted] called him when the Department of Justice called him in to ask him about the

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shipment, say a month ago, six weeks ago, and lo and behold, the man remembered. 90 percent of the time he wouldn't or would say he didn't, because it wouldn't be convenient to say I remember you coming in and talking about it. He'd say I remember we talked, but I wouldn't remember telling you it was okay. He said I do remember telling you it was all right.

Then this man, former district attorney, went into his office and researched the files and found a MFR he wrote that recounted his conversation, said there was nothing illegal in the shipment.

If that's true, all of these things I have just told you are true, and I have no direct knowledge that they are, then I would think that's a very powerful defense for General Singlaub and Barbara Studley, whatever they do, offshore to offshore, without anything coming to the United States.

I know that Barbara Studley has repeatedly asserted that she never made a dime, indeed donated money, and I believe that. I believe that.

(Discussion off the record.)

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BY MR. SAXON:

Q Would her involvement in that shipment have been at the request of, direction of, instruction of General Singlaub?

A Certainly not direction or instruction. Possibly the request, but Barbara Studley ran a radio talk show in Miami, and her background in this was, in the way she met General Singlaub, as I understand it, she made a trip to Central America, to El Salvador. She was appalled at the plight of the refugees, not Contras, refugees.

She came back and collected -- put out a radio appeal and medical goods poured into her house. She and her son and others sorted them out, checked dates to be sure they were still valid and good things, and then said now what do I do with this?

And called Lucy Taft, who was in the Department of Defense then. She's now running AID. Lucy said, "Contact General Singlaub." So Barbara Studley contacted General Singlaub, whom she didn't know, I think talked to him for months over the telephone before she ever saw him, and arranged this humanitarian shipment, totally legal, to Salvadoran refugees, and that was the beginning of her association with General Singlaub.

That's before -- that haul took place before she formed GMT.

BY MR. ALBRIGHT:

Q She formed GMT herself; is that correct?

A Yes. She had a vision to form it.

Q When you say a vision, what do you mean?

A Sir, I leave that to you.

Q But those are her words?

A I talk an awful lot to God and I go to mass every day. I have received no direct communications back. 58 years of talking to God. But I believe that anybody who says they did, believes, at least, they did. And had some kind of an experience. You would have to get from her why she formed GMT -- divine mission.

Q Other than as being a Miami talk show host and what you have related so far, what other qualifications did she have, other than the vision, to form it and run this operation?

A Well, she had a background in business management, she said, involving real estate development. But narrowly speaking, she didn't have any qualifications to undertake

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this work. And to the best of my knowledge, she has not made one dollar doing this work. Partly because she will not deal with Iran or Libya or any of the countries that the United States does not support with foreign policy. And she has turned down what would be very lucrative offers to do that. Never would enter her head.

I have too. I was on a trip out in the Pacific and I was approached by some good people, Orientals who -- businessmen -- who were under no laws or strictures, who gave me a list of page after page after page, starting with [redacted] so I knew right away who the client would be. The client's name was blank, but they said they'd tell me, and I handed the thing back.

They said there's millions of dollars of profit in it. I said I wouldn't care if there are hundreds of millions, I can tell who the client is, and it turned out it was Iran. Take it back, we wouldn't touch it with a barge pole.

Barbara did not engage in any of those activities and never would.

Q This approach was in your capacity with Geomilitech?

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A With GMT. The only time that anybody ever came up to me and asked me to do it and it was a business -- businessmen who were just -- just approached me in a hotel and asked me, I don't think they even knew if I was with Geomilitech, but knew who I was, and asked if I could obtain all these arms. They had an immediate customer for them.

Q You were with Geomilitech from September 1 of '86 to February 20 of '87; is that correct?

A Yes, sir.

Q What did you do? What was your title and what did you do?

A Executive vice president, I testified.

Q What did you do as executive vice president?

A Well, I did the business of the company, which was essentially bringing together parties who wanted things and with people who could supply things, kind of a broker. And offering consulting.

I think probably most of what I did in time was broad range consulting on policy and other issues.

Q Was this a salaried position?

A Yes. No commissions or dividends, although maybe that would have happened.

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BY MR. SAXON:

Q What kind of things were we talking about?

A Essentially military technology, but not all arms by any means. We would certainly consider arms, the company would certainly have considered arms shipments. But, again, you know, with very strict parameters. Is it legal? And I added, is it in the policy interests of the receiving country, to the other parameter, which was is it in the policy interests of the United States to do it?

So, if they were asked to undertake something they would have done so, but only if it seemed to meet legal and ethical standards, so they didn't do any business. Because nothing that they were asked to do did or nothing that was proposed could be fitted in the parameters.

BY MR. ALBRIGHT:

Q How would you go about determining --

A This was not a sleazy arms merchant.

Q How would you go about determining whether or not an action was legal?

A That's a good question. Because you can correctly say to any former official of the United States government that you don't know what the national security policy is of

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the United States, what I did was I worked on my background of what I knew was the policy. The academic background I have had in international relations, which included teaching the subject at the university level, and in the declared public policy of the United States.

So, had we been approached by somebody in the White House or elsewhere in the government to undertake arms to Iran, even though they said, whoever they were, speaking speculatively now, would have said, this is in the national interests of the United States, I would have turned it down. And if the company had taken it, I would have left the company at that point. I don't think they would have.

Q But you didn't seek counsel of attorneys, did you?

A Oh, yes. See, I said earlier in my testimony, if you will recall, on the very first questions from Mr. Belnick, that my first approach to any proposition at all, whether it was an initiative that I thought of or one that was suggested to us or an old case that they had that I was asked to pick up and see if I could revivify it or carry it on -- was to make the rounds of the government, United States government at the policy level, to determine if this was in the national interests of the United States or if they had any objections to it.

So in two cases I cited, the Department of Defense officials said we can't ask you not to do it. We can't tell you not to do it. And we don't. But we sure hope you don't, because it's going to give us a lot of problems.

Q Understood.

A You have every right to do that.

And once I knew that it wasn't in their interests, as they perceived it, or wasn't good for the country as they perceived it, I put the thing either on a back burner or killed it.

You can see what a great businessman I was.

Q John Carbaugh was associated with GMT?

A Not to my knowledge, ever. If he was, that's unknown to me. I have heard of his name. I may even have spoken to him once or twice years ago, but he never appeared in the offices. His name was never mentioned. I never saw it in any of the company papers, so that's a new one on me.

John Carbaugh, I think even he wouldn't object to my saying he is a strong conservative, an ideological conservative. He would take pleasure in the title. But he didn't have any input to the company while I was with it or,

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for that matter, any previous period. If he did it's unknown to me.

General Singlaub was not an officer or an official of the company. I think he gave Barbara advice early on, free. He didn't take money for it.

Q Going, now, to the summer of 1985 shipment of arms which we were discussing earlier, do you know the name of the Panamanian corporation --

A No.

Q Do you know the Swiss bank account name or number?

A No. I may have heard it.

Q Do you know the bank?

A I may have heard it and I might have even have seen it on a piece of paper there, but I don't -- do not honestly remember seeing it or hearing it, and in any case I don't know.

Q Including the name of the bank?

A No. But there was a bank, there was a Panamanian company. That I know.

BY MR. SAXON:

Q And you do not have in your possession any documents --

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A No, sir, I don't. Nor are there in the files, because I searched them at GMT. See -- any such documents.

I was called by Tom Edsall from the Washington Post back in December and denied this vehemently. Then he said, but is it possible it was done before you came?

So I went through all the files and there was no evidence of such an action. And it would be consistent with Barbara's statement: I did this as Barbara Studley, not as GMT.

BY MR. ALBRIGHT:

Q The arms were shipped on a Greek freighter. Is that the freighter owned by [redacted]?

A I would think so, but I don't know so. I really have no good knowledge of any of this.

Q What do you know about the shipment being met by a Della Miko?

A There is a memo which I did see, which she turned over, I believe, to Colonel North before I came, which laid out the nefarious dealings of Della Miko.

Della Miko, everything that I know about him, there is a [redacted] person who --

Q Let's stop there so I can get everything

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straight. "She" being Barbara Studley?

A Barbara Studley.

Q Turned over this memo to North, you think?

A I think there was a memo that she turned over to Oliver North.

Q Why did she turn that over?

A Because it spoke of corruption, at least circumstantially, of wrongdoing, of overpricing, of selling to the freedom fighters or the Contras, as some call them, goods that had been donated; of selling poor equipment at over prices and so on. She had a sense of moral righteousness that I think honestly would be supported by the facts.

Q How did she happen to contact North? Or did North contact her?

A No, no, she would have made the contact. Well, I don't know. I have to correct that. I don't know. I would think that the contacts would have come from her or through, you know, from her to General Singlaub and then General Singlaub to North. I do know that General Singlaub, back to an earlier question also relevant here, complained to me that he had been barred from the White House because of this legislation.

I know he told me on one occasion that he was talking to the director of the Central Intelligence Agency, of whom much ill will has been written on this subject, that several times he said: Jack, if you mention Nicaragua one more time I'm going to put you out -- throw you out of this office.

So there was evidence, you know, spontaneously given to me before any of these events, that the director of the Central Intelligence Agency was trying very scrupulously to avoid any involvement in supplying arms to the Contras, and I can't juxtapose those statements to you -- to his old friend, General Singlaub, he was at one time [redacted]

Q You were told this by General Singlaub?

A By General Singlaub, but it was a spontaneous exclamation, and General Singlaub, as you are going to find, is the most honest man you will ever talk to. He wouldn't have told me that if it wasn't true. He wouldn't have told me that he couldn't go into the White House to talk to Ollie North. And why, because of the law?

See, General Singlaub was very overt and very open. He was making speeches, that he was sending humanitarian things. According to Barbara Studley, I never saw it, he even made speeches about the arm shipments to groups. He didn't do anything secretly. He was very open about raising money to help the freedom fighters, and yet he was told by Casey, [redacted] and whenever he would mention Nicaragua, General Singlaub told me in exasperation, he told me: Jack, if you bring that up one more time, I'll throw you out of this office.

Q Implicit in that was that there was something being discussed that was, if not illegal, improper?

A No. No. He just wanted to talk about Nicaragua. Say, Bill, we've got to do something about Nicaragua, I don't want to hear about that. We are not going to talk about that. If you do I'll throw you out of here. And the reason was the law. And I know that it was because of the law that Colonel North wouldn't see him for, I think, a very protracted period, maybe a year. Nobody in the White House would talk to him. Because he was the proponent for direct aid to the Contras.

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How you fit that in with all of these revelations, I can't explain it. I can't do it. I can't help you.

Q The next question is --

A But I believe it's true.

Q If Barbara Studley knew to go directly to Colonel North regarding matters --

A I don't think she's ever been in the White House. So, you know, I want to be very careful. I would believe that her memo was transmitted through General Singlaub. And I took, I think the first day I was there, took an envelope or a letter to the White House which may have contained that memo.

Q My question is do you know how everything seemed to instantly go to Colonel North when it dealt with arms to Central America?

A Well, he was the officer who was most attentive to working the problem in Central America. I think that was known throughout the interagency arena. But I don't think there was anything from my point of view, there was nothing sinister or wrong or we are going to North because he's managing the effort. I didn't think that when I went over there in September. I went to see him.

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All of my contact with Colonel North was, here's normal NSC Staffer doing normal NSC Staff work. You monitor the areas of your responsibility, he had all the covert actions, you write the memos, propose the actions, keep everybody informed and coordinated. I had no idea that he had money, funds, Swiss bank accounts, was managing operations or acting as an operator. And I would say for the record, if he was, that was a mistake in the White House, because nobody in the NSC Staff on my watch, when I was there working part-time as a lieutenant colonel, or today, has the capability to run operations. Nor is the NSC Staff or any place in the White House the correct locus for national security or other types of operations -- even intelligence operations.

There is always a place. It's always an appropriate situation -- there always can be an appropriate situation when somebody from the White House should be missioned to go out and talk to somebody because they won't listen to the State Department people.

General Walters and I were far more effective in telling [redacted] than anybody inside the

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State Department, which he wouldn't listen to or talk to.

In areas of the world where you have people on the NSC Staff who have special connections or relationships with the people from prior service, such as Jeff Kemp did in the Middle East, the best person to put on a plane to send a message from the president would be the NSC Staffer. But when I was there we always did that in coordination with the affected agencies, always with State, and I can't think of a time when a trip was undertaken without a State Department representative going.

But some countries everybody, in every bureaucracy, wants to hear it from the top. In some countries they will only take it from the top or they won't believe the message that is being communicated, or you won't have the effect you want.

So, I distinguish between missions like this, which should be secret as opposed to covert. Covert suggests you are operating. But secret because you can't conduct successful diplomacy publicly, in most cases.

Q I guess my question more is, everyone, whenever anything came up inside the White House, outside the White House, everyone knew that the matter should go directly to

Colonel North.

A Well, that's not true in my case because I always -- I contacted a complex of people. I contacted the people who were the assistants for Latin America, so that would be Ray ~~Burkehart~~ Burghardt, Jack Eifelman, and a third assistant whose name I've now forgotten, as well as [redacted] the former CIA officer who was on the NSC Staff, and Colonel North.

In other words, you touched all the bases, you do it here all the time, normal staff coordination. You go to every committee that is working your problem.

Q All right. Let's move on, then, to [redacted] [redacted].

A That's the one that I can't fathom where you have an interest in him. I'd love for somebody in this building to take an interest in this case, but he has nothing to do with this situation. I'll tell you all I know about him.

Q Let me just ask some questions.

How did you first get to know him, [redacted] [redacted]?

A I first met him on my first trip to Latin America 1979-1980, [redacted]. We saw it as the linchpin of a

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strategy, it was the Carter Administration, and they had a very good human rights record. There was not a single person in jail for what Amnesty or anybody else would have said was a human rights violation.

They had a military regime, but the military regime had pledged free and democratic elections, which did in fact take place and led to the election later on of Roberto Swazo, the president.

So I met [redacted] at that time. I think he was commanding [redacted] He then became the [redacted] a truly great man who thought regionally, and a lot of people do down in Central America. And both of these men understood that, to have peace, stability and freedom in the region, you had to have a good relationship with the United States. Whereas many [redacted], for a whole series of reasons we won't go into here, had become anti-U.S., mostly because of broken promises and failed commitments and the fact that they thought, after being encouraged in the John Kennedy period to build up counterinsurgency forces and fight communism, they were now being criticized for having done so,

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and very unjustly, unfairly.

[redacted] understood the larger issues, realized the United States had made a lot of policy mistakes, and indeed we had down there, but were -- knew that the interests of [redacted] and all the region lay with the United States, and wanted to cooperate with us and did. In a truly remarkable way. [redacted]

We should be careful about putting all this out into the public sector.

Q I have to tell you, too, that our reporter is not cleared on secret or top secret stuff.

A I don't know if you guys are.

Q We are. If you are discussing code word items --

A I'm not going to. I'm going to do this in a general way, because I'm going to show you, I hope, that he isn't relevant to your investigation.

Q But I am interested in the intelligence aspect.

A Right.

Q If there are things that are -- any TSC matters, if you will identify them and we can discuss those later.

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A I would have to get back on and I couldn't tell you what I remember, and wouldn't want to if I could, nor do I think it is really necessary to get to what I think you may be driving to. The right man to ask is General Paul Gorman, who is available in the area, former CINC South four star, a friend and a colleague who knows everything about what [redacted] would know, and whose knowledge would exceed mine.

There's a Colonel [redacted] you have his name, you are probably going to call him. He could give you those details and you should have a special session for that.

Q Why do you identify Gorman as --

A He was the CINC. He was the one who put a lot of those programs in there and who worked so successfully with [redacted]

Q Do you have any specific information about the intelligence role of [redacted]?

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A [redacted]

He left [redacted] by my recollection in 19[redacted]

Q [redacted].

A Is that when [redacted]? I thought it was later -- I know it was later.

Q It was later when [redacted] but he left to be assigned as --

MR. KELLOR: [redacted].

THE WITNESS: So [redacted] left in [redacted]

He was extradited, as you know, by very fine U.S. Assistant District Attorney, [redacted] in my judgment, was a man who was in the wrong place at the wrong time. Others have said this, including people in the government who knew him. People in the State Department. He's incapable of committing a crime, let alone an assassination of a president. [redacted]

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[redacted] that he had taken great risks at the sacrifice of his career, because there was a lot of opposition to his willingness to cooperate with the United States, and I felt that the United States owed him something for that. Not interference in the case, in the criminal case, but once it had run its course, to show him clemency or put in some matters of mitigation or extenuation. I did that in my testimony.

The Judge was impressed, asked if I was speaking for the executive branch. I said absolutely not, I'm speaking for myself.

The Judge was indignant. He felt that the executive branch should step forward and bring in these matters, and he gave a sentence which he told us, [redacted] and myself, was designed to give the executive branch an opportunity to intervene.

He delayed when he had a report for confinement and he told us he set it up so he could go in one day in the morning and come out in the afternoon if somebody in the

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United States would lift a hand.

[redacted] wanted him and wanted to debrief him and wanted to work with him because he knew so much, [redacted] because of his general knowledge of the threat.

[redacted], district attorney, came up here in search, like a Diogenes, in search of somebody who said this man is important, and the people at State said he wasn't. I think that was wrong. I think it was unconscionable. They were so afraid that we'd get tarnished by standing up for this guy after the fact that nobody would come forward to say he's really a good man, which people at State Department privately told me he was, people who worked with him daily [redacted]

[redacted]

Everybody agreed that he was worthy. In fact, I was told after I testified that a lot of people who admired your moral courage because they thought bad things would happen to you if you went down there and did that, including officials in the government. But nobody would come forward institutionally and take a stand. And I think partly, and I'm sympathetic to this, partly it's the heinous crime of assassination [redacted]. We've got a president who was the victim of an assassination attempt, and we've had others in recent memory, candidates and one president, who were completely taken out by assassins. So nobody wants to stand up as a character witness for somebody accused -- who pled guilty to an assassination plot.

But you have to go beyond that to look at the man the degree of malice that he had and didn't have, and more importantly, his relationship to the United States.

In no case did Colonel North direct that that be done. I think he was one of those, like Ray ~~Burkehart's~~ Burghardt's office, who were properly working to get some kind of an intervention. And again I want to stress a proper intervention.

Nobody proposed that we keep him from being tried

Q Did you talk to [redacted] before or after the sentencing?

A I spoke to him after, at the time.

Q What was his feeling? Did he think he was going to spend any time in jail?

A Oh, I don't know. I think he was very shaken by everything that was happening.

Q Did he tell you that there had been any offers on behalf of anyone in the government to --

A No, sir. No, sir. I think he thought he was going to go to jail. That was the impression that I got. He was a very fearful, shaken man before and after. I don't think he at any time minimized the seriousness of his situation and at no time did he think that this was -- in fact, that's why I went down there. I had just been operated on. They sawed off this wrist bone, removed a piece of metal and some -- I think they removed metallic fragments but they -- the sequelae from Vietnam wounds, the day after I had come out of the hospital, I was in agony, had a fever, had to keep my arm up to keep the pain from knocking me to my knees, and I went down there because I realized the situation was desperate. So did he. And there wasn't -- was nothing being done for him.

So, far -- my understanding is that [redacted] in the situation, far from anybody making any promises or offers, nobody was doing anything. We went down at our own expense.

Q This incident or this matter, [redacted] raised a lot of hackles in both the Department of Justice, State --

A I'm unaware of it if it did.

Q Did anyone contact you? Did anyone know you were going down to testify?

A Oh, yes. Because I reported -- I was on active duty. I reported that I was. And there was a lawyer from the Department of Defense who accompanied us down there.

Q Who was that?

A Some young captain over there. But he's assigned to Department of Defense. So Larry Garrett, who coincidentally was my lawyer when I was in NSC, would be the one who could tell you who he was. But I would deny, if it raised hackles, nobody -- it shouldn't have. We do this all the time, if somebody is --

Q I don't mean necessarily your testifying. The [redacted] incident, his arrest and whether or not people "came to his rescue" for lack of a better phrase --

A It should have raised hackles. I saw no indication of anything but apathy and indifference to him.

Q Who did you talk to before going down to testify?

A The people in the Department of Defense, the -- you know, the officials I contacted, I don't recall them all to make sure that everybody knew I was going. I contacted press people --

Q People do you recall in DOD?

A It would just be the routine departments, people in public affairs, because there could be unfavorable press coverage on it. The people in the assistant secretary of defense's office for Latin America, and most importantly the General Counsel's office. And anybody ordered me not to go, I would have obeyed that order, even though I would have thought it was unreasonable and unfair. But it would have certainly been a lawful order. And the same thing was true of Colonel Pino, who has an exchange officer at State. Nobody told us we couldn't go. Nobody encouraged us to go and nobody told us what to say there; we went, and nobody criticized us there we came back.

I think the whole affair -- but see, that's why it is not even relevant to your Committee, or your investigation, as I understand it. The whole affair reflects very badly on the United States, and there are some very bad consequences because the lesson we have taught to, not only the [redacted] throughout the region, and further south, is: Do not cooperate with the United States. If you do they will not only abandon you, but they will throw you into jail in the United States, even after [redacted].

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Q Why are you saying that? That is getting to the point.

Why do you say cooperation with the United States

A Because that's what he had done.

Q You mean cooperation?

A In what respect -- but what does this have to do with Iran, the Contras and all of that? I know of no connection with it.

Q [redacted]

(Discussion off the record.)

BY MR. ALBRIGHT:

Q Let's go back on the record and let me sum up, if I can. [redacted] You were not inferring or referring to any government, U.S. government involvement in the matters to which he pled guilty?

A Oh, no, sir. There was absolutely none. None.

Q I just wanted to clarify that.

A Everybody in the United States Government would abhor and condemn, and nobody would in any way condone any

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effort to remove, by any means other than a democratic process, a sitting president of [redacted].

Q There have been speculations, and this is nothing secret, that the U.S. government was behind part of this plot, that it was not a plot to kill the [redacted], it was a plot set up by the government to save the [redacted] from assassination, thereby making the U.S. government look good.

A That's too Byzantine for even me and I took five years of Greek.

Q So this is one of the press reports.

A No.

Q Let me go down the list and let me see if you talked to any of these people prior to testifying on behalf of [redacted].

Colonel North?

A Yes, I did. But only to to tell him I was going. I didn't discuss -- well, I told him, I said somebody has got to step up to save this guy from going to jail, because the policy consequences are going to be extreme.

Q What was Colonel North's response?

A He agreed.

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Q Did you ask him why he was not doing something?

A No. Because I implicitly knew. You know, since nobody in the government was going to step forward, in an official way, it was left to people who were in the government to go down as individuals if they chose to do so, and I wouldn't have recommended that to anybody, because you would be sacrificing your career, maybe your pension.

Q Was there any discussion with Colonel North about any intervention --

A I couldn't have slept with myself if I didn't go -- any discussion with Colonel North?

Q About intervention that he had taken prior to the time you spoke with him or that he would take later?

A I asked him to try to intervene, try to get the system to intervene. We always stressed to do it in a proper, legal way.

Q Understood. And when I say intervene, I mean in a legal way.

A I want you to understand that. We did not want the charges to go away. We didn't want [redacted] to be exonerated from anything that [redacted] could prove he did. We wanted justice to run its course.

What I did not want to see him do was serve time [redacted], when he was a good man with no prior record, when he did not intend to assassinate with a bullet or otherwise the [redacted]. And I need to insert something on this.

You have to understand the peculiar mentality of [redacted] people and the way they have coups; it's violent plan, lots of bold talk, and almost no execution. For example -- por exemplo -- there was a coup down there called "coup con musica." All day long the loudspeakers played music, classical and popular music, and not a shot was fired and the whole goverment fell, everybody went in exile, went away, not a shot was fired. It's the [redacted] approach. They are a very pacific people. They are not a violent people. Almost the opposite of El Salvador.

In this thing you had a man, you know, who could attend meetings to do what for us would be just absolutely heinous, terrible, violent. You would put the guy in jail right away. But down there it's just not the same thing at all and I tried -- I knew that, and I knew that about [redacted] and knew that about [redacted] people, and tried to convey that. I think I did in my testimony.

Q What about Admiral Poindexter, did you speak with him before going?

A Absolutely not. And I had no knowledge, then or now, that he even knew about it or cared.

Q What about General Gorman?

A Yes, I spoke to General Gorman and put General Gorman in touch with [redacted]. And General Gorman talked to the district attorney. The district attorney came to Washington to try to find somebody who would give him a reason not even to try the man or, you know, to not press for confinement. I think he was willing, even willing to not press the case. And none of us wanted to go that far but he couldn't find anybody who would speak up for him.

General Gorman spoke to him. I think what it was, [redacted] came to my quarters at Fort McNair, arranged a phone call and then to allow the privilege of the communication I left the room, which [redacted] spoke to General Gorman. So I don't know what passed between the two men. I do know that General Gorman felt very strongly that he shouldn't go to jail, you know, for all the right reasons.

Just as we take one of our soldiers and not execute the confinement because of the mitigation or extenuation.

Q Did General Gorman tell you anything about [redacted] -- let me change that. Did General Gorman tell you anything about intervention --

A No.

Q -- on his part?

A No.

Q For [redacted].

A No, none. In fact, I didn't think he made any. I think that -- he was another of those who deplored the fact it was happening but did not do anything.

Now, maybe he did, but I don't know. And he did not tell me why [redacted] should receive some -- what his reasons for mitigation and extenuation were. I think there was a tacit understanding, among all of us who each knew different things, of what this man had done to assist the United States.

And, remember, because this may appear in a public record, and you have to always watch that secondary and tertiary audience out there -- [redacted] was not a lackey of the United States. He wasn't a puppet. He wasn't somebody who sold out his country to help the United States. Not at all.

He was, rather, a man of vision who understood that the only way you are going to have peace and stability in Central America was in a cooperative process with the United States. And a lot of people down there don't understand that today.

Q What about Claridge? Did you speak with Claridge?

A Never. I know him well. Never spoke with him at all about any of this, about anything involving the Contras.

Q At Department of Justice, did you speak to anyone?

A No.

Q You didn't speak to Trot or Ravel?

A No, sir, I didn't.

Q At Department of State did you speak to anybody?

A I think Colonel North did. I think he spoke to Trott or -- either spoke or wrote to Trott. And I think he told me this later.

Q In what context did he tell you this?

A Whether we deplored everything that happened, I think -- I do remember. Somebody in the system, some ribbon clerk, had the authority to assign him to a specific place of incarceration. And this individual, I've heard the name, was very vindictive for whatever his reasons, and was picking the worst possible prison to send [redacted], who didn't even speak English.

And the judge had spoken from the bench about sending him to one of the more favorable places. There are no country clubs in the federal prison system. But this was at least a more humane and reasonable place, especially with an effort being made to get him a parole. And it was on this issue that Colonel North told me he had to go to see Trot to keep him from being sent to this very difficult place.

But I know that Colonel North and Mr. Raymond Barghardt ~~[illegible]~~ were honorably and properly working to see that the mitigation and extenuation matters be brought forward for consideration. I never asked them what they were doing or how they were doing it.

I only asked him, I said: Here are the facts as know them. If you agree, would you please assist. That was the extent of my interventions with him at all times.

Q Did you speak to Abrams at State?

A No.

Q You never spoke to him about this at all?

A No. But I did speak to Jim Michaels and Walker about it, just asking that something please be done properly and legally. Always putting that in there.

Not, you know, as a genuflection, but because I believed that's the only way to do it.

Q What Walker was that?

A Bill. He's, I think, another one of the two deputy assistant secretaries to Elliot.

Q What about Ambassador McNeil. Did you ever speak to him about it?

A McNeil? No.

Q Anyone at DOD that we haven't discussed that you spoke with?

A No. And I'm not -- I'm pretty sure that I spoke to Nest$\overset{o}{\text{e}}$r Sanchez, but if he were to deny it I wouldn't contradict him on it. I just went through in a regular way like you would when you coordinate here.

Q Sure. What about at the White House? Anyone that you have not --

A Only the ones I mentioned. Ray ~~Burkehart~~ Burghardt, Jack Eifelman, and Oliver North. And these were very short interventions on my part. They were busy and I knew they

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knew the background.

MR. SAXON: I've got a few more questions.

THE WITNESS: Does that take care of [redacted] [redacted]? If I knew more I'd be happy to tell you.

MR. ALBRIGHT: I understand. Those are the answers that I thought I would get.

THE WITNESS: Okay. I think we got a man who should not be in jail in jail, and I think there are some very serious policy consequences that are going to haunt us for a long time, because he is in jail and it just doesn't make any sense.

[redacted]

BY MR. SAXON:

Q You indicated you met General Singlaub when he was engaged in special operations. What kind of special operations was he involved in?

A He had the special operations group and they did

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everything. They did all the code work [redacted] and all of that, all of those activities. He would be the best one to describe that for you, with due deference to what might still be classified.

Q You know Dewey Claridge.

A Very well.

Q What's the nature of your relationship? When did you meet him? What was your working relationship?

A First, when he was working with Secretary Haig. Do you all know him?

MR. ALBRIGHT: Not personally, no.

THE WITNESS: You have to meet him. You have to bring him in. Because every time I saw him, all I needed was the little black and white flickering of the screen and the overhead fan and Sidney Greenstreet walking down the room, because he wore the big broad Panama hat, the big handkerchief flowing out of his pocket, and a very extraordinary human being, Dewey Claridge. A very able guy.

So to meet him once is never to forget him. And he worked at State and then he went to the Agency. Of course you know the position he held there, and I had some interface

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with him in that position when I was first at the White House and then later in the Pentagon. But I did not ever talk to him about any of the matters that are now before this Committee. Ever. I never suggested anything, never saw any documents, never heard him discuss any of these things.

BY MR. SAXON:

Q Do you have any personal knowledge, subsequent to these matters having become public, of Claridge's involvement?

A None. None. In fact, that's the first time I heard his name. I got -- don't know about you, but I've gotten sick of reading the media on this. I've also gotten to the point where even my capability for being appalled has been exceeded. I keep thinking, nothing worse can come out. The next day there is something worse. I have just stopped reading it.

Then if he has been mentioned, I haven't seen it.

Q I asked if you would answer: What was the nature of your working relationship with him in did you have one?

A Only professional. In either at NSC, when he was at State, or in the Pentagon, you know, institutionally. No personal relationship. I didn't work any actions with him.

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Q What about Nestor Sanchez?

A Well, I had a close relationship with him on several counts. Anything that I did as the director of strategy plans and policy, the deputy assistant chief of staff for operations and joint affairs that touched on Latin America would coordinate with him.

Then, when I was the chairman of the Inter-American Defense Board, of course I had many occasions to coordinate with him. He was one of the many masters that I had, because it's an international appointment, you don't answer to your U.S. authorities alone, you have to answer to everybody. But I gave very careful attention to anything he said. And I talked to him in the same way I talked to all the others.

Q And what was the nature of this position at that time?

A Deputy assistant secretary for Latin American -- for Latin American in DOD.

When I first met him, he was [redacted] [redacted] in the Carter Administration, working with the Central Intelligence Agency. That was my first contact with him. That is when I was saying in the White House, in the

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situation room coming from the Pentagon, the places is in flames, we don't even care about it, we are going to lose the whole region, whole area, whole hemisphere to communism and we are going to have the war that's starting -- this was '79, '80, starting in Central America, we are going to have it on our doorstep on a 1900-mile border on the Rio Grande, because we don't even care. We are not even paying any attention to it.

He attended that meeting and I outlined, I said the first step is to build up an intelligence collection effort because that will at least tell us what's going on. We don't even know that.

It had been deliberately destroyed earlier in the Carter Administration. I said it will take five years to get a return, you know, get it completely restored. But for a year not much will happen, but at the end of a year you'll start to get some return. We need to do that.

(Discussion off the record.)

BY MR. SAXON:

Q What could you tell us about any knowledge you have of Nest~~e~~or Sanchez's involvement in the Iran-Contra affair?

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A My direct knowledge is he had no involvement and only the knowledge that you would get through intelligence channels or reporting. But my firsthand would be limited. I think more significant is the fact that the people who worked with him, when I would ask them, is -- after all this broke -- are there going to be any problems with Nest~~e~~or? I was always told none. He's clean.

These are the men who work with him, and I would judge that, telling me that privately, I would give that more weight than if we were in a hearing room, and maybe you heard that.

So I would believe that maybe he wasn't involved. I would also believe that he knew a great deal, because he should know a great deal through the reporting channels. What he knew, as to what was being done or not done, I don't know.

Q In the normal course of business in doing his job would he have any reason to go to Switzerland?

A To ski. I don't know why he would go to Switzerland, no. That's not the normal chartered area for the deputy assistant. In fact, it isn't for anybody unless you are in arms control working with one of the commissions

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that are in Geneva. I don't know of any DOD people who ever went to Switzerland, except for arms control, on business. But I know a lot of people who went there, including myself, on vacation, who then didn't do any business there or any banking.

Q What can you tell us, if anything --

A You are usually broke when you go through that little coin exchange. You get all those little tiny coins that are so valuable, take so many of your dollars.

Q What if anything can you tell us about Michael Timpani?

A He is an employee at -- with GMT, and he, prior to coming to GMT flew missions. He's a very skilled, accomplished and sophisticated helicopter pilot who at one time had been with the special forces support. He flew missions in Latin America as a civilian, not in the military. And not for or with the United States Government. But for -- in support of Eden Pastora, and a very valuable resource because he knows all those airfields, knows everything that happened down there during the time he was flying those missions. And I don't know when he started and whether he stopped. He never did anything of that nature

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after he came to GMT, which would have been about August.

Q He was an employee of GMT at the time you were there?

A Yes. He was there before I came there and he's still there now. A very fine man. I think if you call him here, you'll be very impressed with him, with his honesty and knowledge. Just a straight arrow.

Q Do you have any knowledge of any role he has had in private supply operations to the Contras?

A What I just said. He knows -- would know, I would think, a great deal about it and would -- and did participate in some of those missions, but I'm very sure that he was not flying or operating for the CIA, nor did he think he was. So it would have been private efforts. He was certainly not doing it for Barbara Studley or for GMT before he came to work for them.

Q Do you have any knowledge of his having flown arms to the Contras?

A No. But he may have. But I don't have any knowledge. I would assume that if you were flying support, you would have flown everything.

Q Is there anything we have not asked you today

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which you -- which was in the request for information which you think we should know.

A Thank you for the question.

No, sir. I really don't, now that you brought out the Michael Timpani thing. That would have been the only thing that would have worried me if we hadn't gotten that covered. Other than Michael Timpani, Barbara Studley and General Singlaub -- and I only know bits and pieces of conversations on that -- I don't know of anybody who has done any of the things that are in point 7, is providing assistance or support of any kind and I have not done any of that, either before -- when I was on active duty, during the time I was at TMT, or subsequently.

And I might say that I feel a little guilty that I haven't provided some support for the freedom fighters, because I think in an it's not an exaggeration to say the survival of the United States is at stake in the events that are unfolding in Central America. I would like to put this on record for the Committee. I think it would be a terrible mistake if what comes out of all of this, all these six investigative bodies that are at work, that we end up punishing the freedom fighters instead of whoever it is that did whatever it was that somebody might finally adjudge was wrong. I think we will have addressed the wrong problem.

And I honestly believe, this is one thing I did want to say, was that the problem originated with the Congress. If Colonel North and Admiral Poindexter and others went into unprecedented and unusual activities to support it, it was because of the legislation, with the ambiguities that were believed to have been deliberately left in it. And you have to trace, you know, step by step, as I have done, the various Boland amendments and the bicameral legislation. In fact, they said we are not satisfied with it. We are going to turn it over to our intelligence committees, let them work the language, and they said not to preclude providing advice or intelligence information.

If you are going to provide advice and intelligence information, how can you do that without radios? So you can argue, not with casuistry but with simple logic, and you know the rule of the normal -- the reasonable prudent man, the standard of law, that that would allow the provision of communications equipment.

There were a lot of ambiguities in the legislation and there's a lot of conflicting legislation. I think I

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would invite you to look at and to make a matter of record for this Committee, the preamble. I sought -- I was almost late getting here trying to look for it. If I find it, I'll send it to you. The preamble in the Foreign Security Assistance Act of 1961. We amend that every year, sometimes every two years, but almost every year, and we have never taken out of it the core language that says what everybody in the United States government is supposed to do is with a great deal of vigor, pursue the fight against communism in the hemisphere on every front, military, economic, political, social, and use the OAS to organize under the Rio Treaty to stop communism in the theatre. There's a Cuban resolution, 8333, I think it is, still on the books.

For me, when you pass a specific amendment like the Boland amendment, that takes precedence. I observe the spirit even more than I had to, as well as the letter of the law. But if people wanted to argue that there were other things that could and should be done, I think they might be justified, with lawyers helping them and arguing the contrary.

My own position was that all this was wrong, and I said I didn't know what they were doing or were about to do.

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But when the amendment was passed, I said what we should do is go back to the Congress and go all out to get this changed and make the case, you know, head-on in the main. I said whatever you do, don't try to go around it or underneath it. That would be a big mistake. And I personally believe this is why I was cut out, because my position was take it head-on, make a fight for it on the merits and get the legislation changed because of what is at stake, and get the president and the media behind you by making the case.

Q Let me ask you if you brought with you any documents or supporting evidence you wish to leave with us.

A I have not, sir. No, sir. I have none. I did go through all of my files and I have destroyed nothing. I did tell you that when I left active duty, I destroyed 17 boxes of classified documents from the Pentagon and from the White House which I had been holding in case there were any investigations or questions on anything. But I no longer had a repository for them when I came off of active duty. So I destroyed them, not by myself but by turning them back into the Pentagon to be shred after bringing in all kinds of people to look at them and say, is there anything here that's useful to you? Some of those would be, perhaps, helpful in

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setting up the antecedents to this, but none of them involve the Contras or any of the things that you are looking at now. I never had any of those documents in my possession.

MR. SAXON: I guess I should say on behalf of the Committee we appreciate your appearing, your doing so voluntarily, and your taking the time to share these thoughts with us.

THE WITNESS: Okay. I'm willing to come back if you have another witness that brings something up that you think changes or contradicts what said. I will be out of the country, in the Philippines I think, for an indefinite period.

(Whereupon, at 2:05 p.m., the deposition was concluded.)

GENERAL ROBERT L. SCHWEITZER

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CERTIFICATE OF NOTARY PUBLIC & REPORTER

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I, JOEL BREITNER, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn by me; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Joel Breitner

Notary Public in and for the
District of Columbia

y Commission Expires 8/14/90

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C O N F I D E N T I A L

UNITED STATES SENATE

SELECT COMMITTEE ON
SECRET MILITARY ASSISTANCE TO
IRAN AND THE NICARAGUAN OPPOSITION

DEPOSITION OF ROBERT L. SCHWEITZER

Washington, D. C.
Monday, April 27, 1987

Deposition of ROBERT L. SCHWEITZER, called for further examination pursuant to agreement, at the offices of the Senate Select Committee, Suite 901, Hart Senate Office Building, at 4:20 p.m. before LOUIS P. WAIBEL, Court Reporter, when were present:

CLARENCE H. ALBRIGHT, JR., ESQ.
Associate Counsel
CHARLES KERR, ESQ.
Associate Counsel
United States Senate Select
Committee on Secret Military
Assistance to Iran and the
Nicaraguan Opposition

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PROCEEDINGS

MR. KERR: Would you swear the witness, please?

Whereupon,

ROBERT L. SCHWEITZER

was called as a witness and, having been first duly sworn, was examined and testified as follows:

EXAMINATION

BY MR. ALBRIGHT:

Q I will just ask you some questions about Yellow Fruit, General.

You are familiar generally with the Yellow Fruit operations, is that correct?

A Yes. Only after it came under investigation under that name. I did not know, to the best of my knowledge and belief, that they were designated Yellow Fruit until after all the investigation started.

I have testified before several investigations on the events that came out of that operation and alleged wrongdoing that occurred over the use of funds, and I would defer to my better recollection at earlier dates, but I am telling you now under oath that my best recollection is I

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never heard Yellow Fruit until they were being investigated, although I knew of the operation without that name.

Q Did you know of any Swiss bank accounts or any other foreign bank accounts in which Ollie North was involved?

A No, absolutely not. Nor did I know of any connection of any Army bank accounts that were put at his disposal, nor did I know that the Army had any Swiss bank account or any agency of the Army.

Q How did you identify Yellow Fruit? When you knew of its existence, how was it identified to you?

A Only as an intelligence gathering operation, and in that respect the Army would be only deserving accommodation for it. They were collecting what I understood at the time from the intelligence community was about 80 or 90 percent of all of the intelligence that was being collected in Central America with respect to the activities of communist guerrillas both inside Nicaragua -- the Sandinista government and the revolution they were exporting to their neighbors, notably El Salvador and also Honduras and Costa Rica.

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The Army was collecting -- and we shouldn't, I don't think, go into any details on this as to how they were doing it -- sophisticated means, intelligence that pertained to the activity of these communist guerrillas.

I know of no other activity in which anybody connected with the Army was involved at the time other than simply the collection and analysis of intelligence.

Q How would you distinguish Yellow Fruit operations from other operations? How did you know when someone talked to you that they were talking about Yellow Fruit?

A I am sure I didn't at all times and places because I never knew that the operation was designated Yellow Fruit, to the best of my knowledge and belief today.

Q What I am asking is how would it be designated to you that you were discussing the operation that you later came to know was Yellow Fruit?

A Generally through the information that I was given in briefings from the people in the Special Operations Division of the Operations Directorate under the Assistant Chief of Staff or the ADSCOPS of the United States Army or Lieutenant General Mahaffey, now dead, predecessor Richardson, now General Officer, Retired, I think with a

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stroke or some other disability. Those two men had responsibility for a number of directorates, one of which was mine, Strategy Plans and Policy, so I was Assistant Chief of Staff. The Army described me as the senior war planner for the Army.

And the other directorate was the Operations Directorate. They would do the day-to-day operations. It was headed by a Major General. There were three -- at the time I was there -- different men. There would be an obvious interface between the operators and the planners, the strategists, which my directorate encompassed.

When these people from the Operations Directorate would come up to get, using the Army parlance, a "chop," a coordination on one of their proposals or to seek assistance or to brief, that is when I would know what they were doing. Everything that I knew -- this was 1981-1982 and into the spring of '83 -- was very proper. I knew of no operational activities in which the Army staff or any Army agency was engaged.

Q So the aspects of Yellow Fruit that were later prosecuted or aspects that were investigated, you had no knowledge of until the investigation began, is that correct?

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A Yes. But, please, let's not have a misconception here.

As far as I know -- and I didn't see all the charge sheets or read the investigations -- what they were investigating was a misuse of funds and a misuse of authorities. I am unaware if they were engaged in operational activities as opposed to intelligence collection activities.

Q Let me ask you a few names, if I may.

Do you know Charles Odorizzi?

A Say again?

Q Charles Odorizzi. I believe he was a Colonel Odorizzi.

A I have heard of him.

Q Known as Jack?

A Only heard of him, and I really know of him in connection with matters I have testified to you before on [redacted] situation.

Q So you know of Colonel Odorizzi only through the involvement with --

A In a totally unfavorable light. I know of no favorable words about him. He is retired, incidentally.

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Q Are you familiar with the Intelligence Support Activity Group within the United States Army?

A Again only after the fact, and I am not sure exactly what it was they were doing. If that was the umbrella name or the name [redacted] then I would know more about it. But I don't recognize it under that name.

Q Do you know the name Lieutenant General Sam Wilson?

A Very well. Yes, I know him. I know him very well, but I have had no contact with him, I would say, since 1979, was probably the last time I saw him.

Q Do you know Major Richard Meadows?

A Only what I have read of him in the newspaper. I have no conscious knowledge of him.

Q Have you read anything recently in the newspaper about Major Meadows?

A Not that I recall. I have a tendency to elide him or transpose any knowledge of him with Colonel Gadd, whom I also don't know of.

[redacted]

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[redacted]

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[redacted]

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[redacted]

Q So that is your knowledge about it?

A That was my knowledge of what ISA was all about. I did not know of more undertaking and would tend to disbelieve that they were undertaking operational responsibilities, [redacted] The

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Director of Central Intelligence is the CINC, the Commander in Chief of the covert war which is being fought against the United States, and if he asks through the liaison system which has been properly and necessarily set up to be the agency and the Pentagon for support and it was determined that the support was proper, then they could and should provide it to them, if that meant people or activities.

If it came under the oversight of the Congressional intelligence community and was authorized by the Secretary of the Service and the Secretary of Defense, in my judgment it would be proper and a necessary thing to do.

I have no knowledge of any such tasking requests or activities, however.

[redacted]

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[redacted]

MR. ALBRIGHT: I don't have anything else.

THE WITNESS: I would like the record to reflect this, to get this on the record, that I had knowledge of some of the people who were involved in it, specifically

[redacted]

I did not know Lieutenant Colonel Duncan or even meet him until after he was responding to charges, and I think he was at the center of the administration of this thing.

But I wanted to get it out on the record so I don't get called back from the Philippines by somebody who then discovers that I had some contact or knowledge and therefore, because of all these other contacts, I might have some special knowledge.

I wish I did, to help you. I don't, and I would tend to disbelieve, Mr. Albright and Mr. Kerr, that anybody in the United States Army either had a Swiss bank account or made it available to Colonel North for some illegal purpose such as financing either arms to Iran or arms to the contras where that would have been a violation of the correct Congressional law as we knew it.

All the time that I was on active duty, the Pentagon as an institution and the Services, especially to include my own, were absolutely scrupulous about -- I would say to a fault -- about noninvolvement in the contras.

In other words, I think you could fairly have looked to the Services to do contingency planning in case the law was rescinded. To the best of my knowledge, no such planning was done in order to make sure that there was a complete wall and a very careful obedience of what was first called -- was the [redacted] Boland amendment and continued to be called that when it really bicameral legislation by both houses of the Congress.

I knew of nobody in the Pentagon who would even entertain discussion on the subject of the contras while that law was in force. I know of no activities that emanated from the Pentagon in support of the contras because of that legislation.

I know of nobody who thought that was good

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legislation, but I know of nobody who violated it in spirit or letter while it was in effect.

BY MR. ALBRIGHT:

Q Well, while we are on this, I might as well ask, do you know William Golden?

A No, except, you know, where he has been mentioned in the press.

Q You have no information of his activities?

A No, sir, I don't, and I can't even -- other than the name -- and I may recall the association I had with the name -- I can't even connect Meadows.

May I ask so I don't have a later recollection that draws me back, was he part of the Special Operations Division? Would you tell me?

Q I am just getting up to line speed on Major Meadows in the last hour myself.

A I have an idea he was a former Special Forces officer who was involved in the Special Operations Division, and in that case I may well have met him.

Q He had a company called Paragrine or Peregrine -- P-e-r-e-g-r-i-n-e.

A I have never heard of that name.

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Q He was involved in the ISA activities or alleged to have been involved in some ISA activities.

A All right. Let me put out some further testimony in that regard.

If Major Meadows was in any way associated with the [redacted] and I would hope that this, if it turns out to be classified, gets properly marked and handled.

MR. KERR: This deposition will be confidential in any event.

THE WITNESS: It may be more, if the operation is still in effect. I think it has also been terminated.

But if you were going to collect intelligence [redacted] and you were going to do it with sophisticated means, you would need a cover, and the cover would be [redacted]

There was such an organization. My understanding was that it had been blessed and approved by the whole

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intelligence community, especially to include the Director of Central Intelligence and certainly the Army Chief of Staff and the Secretary of the Army.

I would disbelieve, because of the hierarchical nature of the Army, that you would have anything like a rogue or an independent operation of this kind taking place.

I was briefed on the results of it. I do know that at least on one occasion -- and I don't think that it was this company -- but the Army had such a cover company and they were very much embarrassed because it was making money and they had to turn in and account for the monies that were being made, and this created a great bookkeeping problem.

Funds had been appropriated for a cover company. The company sets up business, and it is all disbursing. But the company starts making money, what do you do with the money? And I know again they were turning in the profits, and what on earth do you do with all these profits, because the system wasn't geared to receive profits.

But I know scrupulous regard extended to that turning in the money, and it may have been the same company, but I don't know.

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BY MR. ALBRIGHT:

Q It may be again, as I said earlier, I am just getting up to line speed on this, but I think I remember in this article somewhere a discussion of some problems because profits were generated and what to do with them.

A But it was an honest effort and nobody wanted to pocket the profits. They wanted to turn them in in a system which was geared to providing your appropriations. It wasn't geared to the company that was set up making money.

Q The main thing I would be interested in at this moment would be any connection between Major Meadows and the Peregrine, or Paragrine, operation the Yellow Fruit operation that you know of.

A It may be that I was briefed on Peregrine -- you call it?

Q Peregrine.

A Peregrine?

MR. KERR: As in the falcon.

THE WITNESS: It may be that I was briefed on that two or three or four years ago. The man you really need to bring in here is Lieutenant General William Odom, O-d-o-m, because he was the one who set up ISA, and he and I

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had a debate as to the feasibility of doing that.

I was the operator, the strategy, plans and policy guy, and General Bill Odom was a close friend of mine. In fact, when he was out of favor because of his service as a Colonel with a forced issue promotion to Brigadier from Mr. Brzezinski, that didn't go over very well in some circles of the Army.

They were going to put him into exile, into oblivion out at Fort Huachuca, when the Carter Administration wound down, and I said this is the smartest man in town. He is the best Brigadier General you have got. You need to bring him over into the building and use him because he could do anything. He could be, as I said then, as a Brigadier, a three-star DCSOPS man, the operator, not intelligence but an operator, in Operations. He could be the DESOPS, but certainly a future ACSI, A-C-S-I, Assistant Chief of Staff for Intelligence.

They canceled his orders to Huachuca and brought him back. I was in the White House when I made those recommendations. They assigned him to the building, and he did become the Assistant Chief of Staff for Intelligence.

I now return from the White House, and he and I had a debate over the proper locus for an organization that I thought might get into Operations. I said to him, "Bill, as long as you are the ACSI, I would have no problem because you are as competent as the DCSOPS, the Deputy Chief of Staff for Operations, to run such an activity, but I wouldn't be that confident with some of your predecessors or some of your likely successors."

So as I testify now to you with this recall, obviously there was going to be an operational context of this, or I wouldn't have raised that objection. But I knew of none, Mr. Albright. I knew of no -- that part of my testimony I come down firmly on that I knew of no proposed plan or carried out operational activities, although it would not be wrong for the Services to do this provided it was properly and legally directed by the Director of Central Intelligence and all fit into some kind of master plan with the Congressional oversight committees having knowledge and then providing the holy water for it.

BY MR. ALBRIGHT:

Q Where is Lieutenant General Odom now?

A He is your very esteemed Director of NSA. So he is on active duty and very available, and he would know if

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Meadows was doing this.

All this, if it existed at all, had to exist under his aegis. He would have been the one who chartered it, commissioned those guys, sent them out, and took their reports.

I know at one time when I took one of their briefings he was in the room. In fact, he invited me down for it.

[redacted]

MR. ALBRIGHT: All right. I think -- unless something else comes up, I think that covers what I have.

THE WITNESS: And I thank you for your additional questions because it gave me that additional recall. Odom is the best man to bring in here to answer questions on ISA and also [redacted] the activities of all of those people, and Meadows if he was connected in any way with that.

[redacted] is the best one to tell you the in's and out's, and he will do it very honestly and very

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truthfully, the good and the bad that went on down there, the good and the bad policies and the good and bad people. He knows them all.

MR. ALBRIGHT: Thank you, General.

EXAMINATION

BY MR. KERR:

Q General, the primary thing I want to go through with you this afternoon is more detail on the work you did for GeoMiliTech, or GMT from here on.

A Before you ask many questions, because we are at a transitional bridge here, let me pick up on Mr. Albright and come right to your point, and I will respond to your questions.

When I was asked to come here before, I had a subpoena to bring in every single piece of paper from January 1981 to date, and I told Mr. Albright very truthfully I had none but I would continue to search my files.

After I spoke with you on the telephone, I found a piece of paper that I believe is relevant under the original subpoena of Mr. Albright, and specifically relevant to what you want to ask me about GeoMiliTech.

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I will testify under oath that I have not read this document and didn't even know I had it. It had been given to me by General Singlaub before I went to work for GeoMiliTech, while I was convalescing from surgery on both wrists from Vietnam wounds, and the document I think will speak for itself.

I will read it for the record if you want.

MR. KERR: We will just make it an exhibit.

Let me take a look at it first.

THE WITNESS: I think you will be very interested in it. I think it is a harmless document, but it is potentially very incriminating, and if I had known I had it, I would have brought it with me. It just wasn't in any of my files. It was just in a personal file of odds and ends, papers that I got right around the time I was in the hospital.

It is addressed to Mr. Casey. It is marked "Personal Confidential," General Singlaub.

(Pause.)

THE WITNESS: What disturbs me about the document, Mr. Kerr and Mr. Albright, is it is written on GeoMiliTech stationery. It has General Singlaub talking as

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an officer of GeoMiliTech when in all the time I was with the company Barbara Studley always told me he was not an employee or an officer of the company or even a consultant for the company.

BY MR. KERR:

Q Let me just ask you a couple of questions.

In terms of trying to place this in time, this document does not have a date.

A It is undated.

Q What is your guesstimate of when the document --

A August.

Q August of 1986?

A Right, and the reason I can help you date that -- and it may have been June or July. It wouldn't be later than August -- the reason I can tell you that is there is a time line in the document that says something to the effect that they need -- due to the fact funds from Congress will not be available until after September -- I don't think they are available yet -- and then he implies that the opposition will fail.

And I don't remember his giving me the document, and I certainly didn't read it, but I do remember him telling me -- this is General John K. Singlaub, whom you are going to be taking testimony from shortly -- I do remember him proposing an idea to me when I was still on active duty, that we try to get the government to establish some sort of letter of credit as a way of -- not getting around, but solving a problem of nonavailability of funds.

I told him that I didn't think it would be legal, and I said, "You would need to communicate that not to me but to the Director of Central Intelligence, and his General Counsel should look at it and see if you could legally do this."

You know, the idea of taking a letter of credit and using that letter of credit to obtain the arms for the freedom fighters, or the contras as they are called. Their needs were desperate. In my judgment, they weren't for weapons. They were for other things. But they had many desperate needs, and indeed they were going to run out if this process of releasing the funds that had been approved in the summer continued to go on, the delay continued to go on.

So General Singlaub's idea of a letter of credit was innovative and worthy of consideration, but I suggested

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I didn't think it would be legal and it would need a lawyer to opine on it.

I later asked him if he had sent this letter to Mr. Casey or gone to Mr. Casey, and he said he had, and I said, "What did they tell you?"

That it wouldn't be legal, is my recollection, and I said, "Well, that is what I thought."

So I never went back to the idea at all. I don't know when he gave me this or how.

MR. KERR: I would like to have the document marked as Exhibit 1 to this deposition.

(Schweitzer Deposition
Exhibit 1 identified.)

THE WITNESS: I cannot explain the three holes in the top. That is not my filing system.

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BY MR. KERR:

Q Let me ask you a couple of questions about it, General.

The letter makes reference to an enclosed list of hardware that is available for immediate delivery at the prices indicated, suggesting that there was an enclosure with this letter.

A I have never seen the enclosure. As I say, I have never seen the letter, and the letter file I had from the hospital, which had the letter didn't have any enclosure to it, or I would be turning that over to ~~yu~~ you.

Q In terms of trying to put your best date on when you would receive this letter, it would have been the summer of '86?

A Oh, absolutely, the summer of 1986, and it would be sometime between June and 1 September, because it was definitely a document I received before I came to work for GMT.

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Q Do you recollect why it was that General Singlaub gave you this document?

A Well, he was asking me to try to get this idea put across. General Singlaub, as you know -- those of you who have talked to him, as you will see if you have not yet, Mr. Kerr --

MR. KERR: I spent a long time with General Singlaub.

THE WITNESS: General Singlaub is a very passionate advocate. He believes deeply, as I think we all should, of the dangers of communism and the need to resist it, and he really lives, eats and breathes this philosophy. He'll make any sacrifice, undergo any privation or pain in order to be involved in this cause, so he would buttonhole anybody that he thought would help. I believe he wanted me to intervene with people at the White House or with Casey. It always helps. Casey refused to see him at this time, because, as I testified to Mr. Albright, Mr. Casey was, to my belief, scrupulously observing what we came to call the Boland Amendment.

And I think I testified to you that I had no knowledge that he was doing anything to the contrary at the

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times that I met with him.

BY MR. KERR:

Q Let me just ask you a few more questions.

The normal way of acquiring covert arms either by the CIA or anyone is by way of a letter of credit, a payment of a letter of credit for the covert arms. The only unusual wrinkle about this letter appears to be combining a letter of credit with what amounts to a loan of several weeks to a month.

A That's right.

Q Am I correct that what General Singlaub is trying to persuade you to do was to intervene to persuade the Director of the Central Intelligence Agency to approve a loan arrangement?

Is that what he's looking for?

A That's certainly the way I interpreted it, and that's why I said I didn't think it was legal, and because I didn't think it was legal, I made no effort to talk to anybody in the United States Government about it. I told General Singlaub -- he said, "I don't agree with you." I said, "Well, then, you're free to go, you know, if Casey won't see you, why don't you write a letter to him?" So I

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think the letter probably followed the oral proposal.

I do remember that he told me later that they said it couldn't be done legally, and then General Singlaub -- and I'd like to get this on the record -- then dropped it. You know, once you tell him that you can't do it because it's not legal, he is not going to continue to pursue it. He's a very honorable man. One of the most honorable men I have ever met.

Q The bank that's referred to in this letter as "our bank," do you know which bank that was?

A Yes.

Q Was it the Banque National du Paris?

A No. The reason I'm smiling as I answer your question is, very obviously, from the context of the letter, the bank is the bank of GMT, and as the executive vice president, I was absolutely walled off from knowing or having any contact with the bank or the banking activities. I do not even know the last name of their banker. I heard the name "Lou" mentioned, but I don't know his last name, and I don't know the names of the people in Switzerland.

I never went on any of Barbara's several trips. At one time she attempted to bring me out of Asia, where I

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was on a business trip having nothing to do with this, to join her in Switzerland. I was very uncomfortable with the notion of meeting a woman in a hotel in Switzerland, and when I could see no possible business connection for the trip. So to her great annoyance, I didn't join her. Had I done so, I probably would have learned a great deal about the banking activities, but I did not go.

Q But you did not know at the time you received this letter, and you do not know now the bank in Switzerland that's being referred to in this letter?

A No, I don't.

Q And you have had no occasion to discuss that bank with General Singlaub?

A No.

Q Nor did you discuss it with Ms. Studley; is that correct?

A Never. Now I suspect that at some time in my association of several months at GMT, I may have seen a piece of paper with the name of the bank on it. In fact, I may, as later questions will reveal, have given the name of the bank on a piece of paper to [redacted] at the Central Intelligence Agency, but I cannot recall the name of the

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bank nor do I recall seeing such a paper.

Q One of the things that's a curiosity to me is that this suggest that GMT had a Swiss bank account. As you're aware from your testimony, it has been the position of GMT that it was not involved with the 1985 transaction that went by way of Swiss bank accounts.

Do you know whether or not GMT maintained a Swiss account?

A I absolutely know that they did.

Q Do you know in whose name the Swiss bank account was?

A Well, this is the problem. Whenever I asked Barbara Studley for a picture of the company's business, she took great offense and said, on one occasion, "I don't ask you for your personal bank statement, and you shouldn't ask me."

One of the reasons I left GMT is, you could not divide GMT as a corporate entity from Barbara Studley, personally. So Barbara Studley did maintain at least one, maybe more, Swiss bank accounts, and I know that as a fact. I do not know that those Swiss bank accounts were in any way used to transact any arms shipments to the contras. I

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absolutely don't know about that, so my earlier testimony to Mr. Albright today stands.

Q You don't know today whether or not those were accounts of GMT or accounts of Ms. Dudley; is that correct?

A No, sir, I don't. I would tend to believe, because of the secretive way in which she handled all that and the way that she warned me off from that, that they were her own accounts in her own name.

Q You never became privy to any information suggesting that these were reported in tax returns for GMT?

A Pardon?

Q You have no knowledge of these accounts being reported or activities in these accounts being reported in tax returns of GMT, do you?

A No. That's one of the things that bothers me about that whole operation.

Q You have never seen the tax returns for GMT?

A Never.

Q And you have never seen the financial statements for GMT?

A One time. I was shown it for about two seconds, and it was a single sheet of paper about half a page, which

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showed maybe a dozen lines, and the bottom line showed $15 million.

Q General, let me take you back. We'll go through this chronologically, if it's agreeable to you.

A Yes, certainly. I'm sorry to introduce that, but I felt it was necessary to put me even with the board with Mr. Albright from our last interview.

Q You began working for GeoMiliTech in September of 1986?

A 1 September 1986, while still convalescing from surgery at Walter Reed.

Q And you started with the position of executive vice president?

A That was the name, but I'm afraid it was a title in name only, and that I really was not a true executive vice president.

Q Your compensation was what at that point?

A $60,000 a year, to go to $100,000 on the first of January.

Q And from your testimony, the last you were here on March 17, I gather there was no agreement on commissions or bonuses at the outset; is that right?

A No, I did not want one. I felt the salary was adequate and Barbara Studley had mentioned once or twice, with respect to possible transactions, I think two different times, that there would be some sharing of the profits, and I always put that off, because I wasn't -- I had a much different approach to what the profit should be than I think she did, and since we hadn't concluded any of the deals, I thought we would cross those bridges when we came to them. But I sought no profit sharing at all nor expected it.

Q You own no stock in the corporation?

A None.

Q Did you have any agreement that you would be able to purchase stock at some point?

A None. Nor did I want to.

Q With regard to the board of directors of GeoMiliTech, who were the directors, if you know, at the time you joined the firm?

A Barbara Studley always made it very clear that she was GMT, and that was one of the difficulties of working there. There was no board of directors that I knew of, and I was unable to learn much of anything about the company or its antecedents, how it came into being, except what she

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told me orally.

Q I gather from your testimony last time, it was your impression that GMT had been formed within a short time before you joined the company; is that correct?

A Well, if I left that impression, I'm sorry for that. I think it had been in business a year, a year and a half before I joined.

Q The reason I got that impression is because, with regard to the discussion of the July 1985 arms shipment [redacted] [redacted] you had indicated in your testimony that that took place before GMT was formed; is that correct?

A I testified to that, because that's what Barbara had told me, that this thing had been conceived or while she was starting GMT.

Q You were not aware that GMT Corporation was formed in 1983; is that right?

A I absolutely was not. I have never been given any of the charter documents on it. In fact, I can tell you under oath that I was told it was started in 1985, I think, within a year or a year and a half ago. That's what I was told when I was there. I was also told that it was a vision from God to form it and that GMT stood for "God's Mighty

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Team."

If I had been told that before I joined it, I don't think I would have joined it. I think I told Mr. Albright that I send a lot of desperate messages to The Almighty. I have never received a direct response with lights on the wall, being woken up in the night with a vision. Barbara said, and I think she believes, that she had received a commission from God to form this company.

Q In terms of how you became an officer of this company, could you describe in some detail, with dates, how you were approached to join the management of GMT?

A By General Singlaub. He explained to me that Barbara was a very good woman, a born-again Christian, who wanted to do good, that she was very supportive of U.S. foreign policy and would never do anything to violate foreign policy, but she was desperately in need of someone to act as a chief of staff and executive vice president, who would then become the CEO of the company, that she wanted to relinquish control and turn the key over to other hands, and that it was a very good opportunity, and it would fit my skills, which are management, and since it was going to be a company that sought to get programs started in

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other countries, to bring technologies and assistance to other parts of the world, that fitted in with my background and also my personal desires, which was kind of make the world a little better place to live.

I was told that Barbara was totally disinterested in money, had no desire for any profit at all. Barbara reinforced that in the initial meetings with her, and, indeed, she would tell you that. She told me that the last week I was there.

Q When were you approached by General Singlaub.

A I think as early as maybe July.

Q July 1986?

A I think when I was in the hospital at Walter Reed. I would have retired earlier, if it had not been for the hospitalization, so his asking me was certainly proper and my listening to him was certainly proper, but I made no decision until I was out of the hospital. I know you can legally do that, but I chose not to. I didn't go around to any other companies, although several had asked me if I would be interested in coming to work for them. But I refused to even entertain any ideas or conversations.

Q The first approach would have been by General

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Singlaub to you while you were in the hospital?

A That's my recollection. Conceivably, it could have come before. If it did, I just turned it off. I just turned it aside.

Q Was anybody else present when you had this first conversation with General Singlaub?

A No. I think it was telephonic in all instances.

Q What did General Singlaub tell you his role was vis-a-vis GMT?

A He never did describe a role in GMT, and I thought he was just a friend of Barbara Studley, who was interested in seeing her succeed and that she helped manage causes privately by making donations or assisting him.

Q He did not indicate to you then or at any other time that he had acted as the authorized representative for GMT with regard to, for example, the sale of Israeli military hardware?

A No. But I came to learn, after I was with the company, that he had traveled with Barbara in enterprises like that, apparently as a nonpaid consultant. I don't think he was ever paid any money. I looked through the files that were available to me, and there was no showing

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that he was on the books as an employee or paid consultant or officer of the company, salaried or unsalaried.

Q After the first conversation with General Singlaub, you indicated an interest, is that correct, in joining GMT? You told him you would be interested in pursuing it?

A Well, he, at that time, had offered me a position out in the Philippines with the work that I am now doing, and I weighed both, and he said, "The most urgent need is that Barbara desperately needs help," that she was totally disorganized and she needed assistance in the Washington office. Since I was still recovering from the surgery, that seemed, for personal reasons, the correct thing, you know -- what should I say? Not correct, but the most logical thing to do.

Q As of that time, had you met Ms. Studley?

A I'd seen her once, but barely remembered her, at the Tomb of the Unknown Soldiers, when a wreath was laid by the Bay of Pigs Association -- 2506 Brigade. And he had been there, and so had Barbara Studley. In fact, when he approached me, he said, "You remember the tall blonde, who was out at the wreath laying at the Tomb of the Unknown

Soldier?" And I said I did, vaguely, and he said, "Well, she's a multimillionairess, and she's very interested in supporting good causes and in helping people, and she would like you to go to work for her." And there was the empathy, you know, it touched a chord with me, when you said that there's a person who wants to help needy people and needy causes.

Q Now after the telephone conversation with General Singlaub, did there come a time when you had an interview with Ms. Studley?

A Yes.

Q And that would have been approximately when in time?

A I think right around the end of August, because I was still very much bandaged up. It could have been at the end of July. I just don't clearly recall. And I didn't give her an answer.

Q Where did the interview take place?

A In her office at Pennsylvania Avenue.

Q And was there anyone else present beside you and her?

A At approximately the same time and maybe even at the same day, General Bob Kingston and General Gordon Sumner and General Singlaub were all present, to the best of my recollection, and at that time, she discussed different activities that the company was doing in a very positive, enthusiastic and optimistic way.

Q What was your understanding of why Generals Kingston, Sumner and Singlaub were present?

A It was vague. I think General Kingston was a consultant who would be paid when he was activated, given consultancy, and I don't know whether General Sumner also fell under that rubric, because I never saw the books, or was there as a personal friend, which he certainly was.

Q And General Singlaub was present for what purpose?

A In the same capacity. Personal friend and supporter. The review was a very incomplete and disorganized review of the files or cases, as they called them.

Q Let me stop you. What they were doing was outlining for you in an incomplete way, the nature of the business of GMT?

A Right.

Q What was your impression of the business of GMT

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at that point?

A What it's purported to be was that it was certainly not solely an arms brokering agency, although it would do that, if the cause were right, meaning legally correct to engage in within the constructs of declared U.S. foreign policy -- public foreign policy. But that it was also engaged in interfacing other technologies with different countries for the betterment of the peoples of those countries.

Q Was anything said about the relationship between GMT and either the State of Israel or Israeli arms manufacturers?

A The wall of her office was filled with Israeli plaques and she held herself out to be a very strong supporter of the State of Israel, with a lot of connections at the highest level, heads of state, ministers of defense, and she had an office which I only bit by bit came to learn about and still don't know all of it, which was maintained in Tel Aviv, which she then closed, when she suspected the man who was running it of corruption and possible illegal dealings.

Q What was his identity?

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A Pardon?

Q What is his name?

A I'm sorry. With the jet lag, I can't recall, but he was an Israeli Air Force officer. I never met him -- who had retired and who was -- if he did anything wrong -- I'm very sure about this from all the conversations that took place, private and otherwise, in the office, and the obvious pain with which Barbara spoke of him, that he was moonlighting. He was doing free lancing, using her expense account, telephone, salary and office fees, in order to do that. There was a great deal of -- I think I testified this to you, and I probably even remembered then his name. I believe his first name was Ron. There was a great deal of activity, but there was never any production. Hundreds and hundred of phone calls, lots and lots of air travel, and I would just tell you , if the three of us wanted to go to the Nagev Desert and export oranges to Florida, if we put that much energy into it, we could successfully do that. You wouldn't fail to sell some oranges in Florida with the amount of activity and energy and the ability that this man obviously had.

When Barbara saw all the activities that he was generating and all the expense accounts and running up in travel he was conducting with never a consummated deal of any kind -- arms or other technologies -- she became very suspicious of him. There was a story in the German press, I believe "Der Spiegel," but I'm not sure if that was the one, that linked him to the illegal sale of arms to Iran, at the same time or roughly the same period that he would have been with GMT. I can absolutely tell you that Barbara knew nothing at all about that and was shocked, dismayed, and that when this surfaced, that was subsequent to her firing him by possibly a year.

The "Washington Post" relentlessly pursued this story with a view to exposing Barbara and GMT as being part of the arms to Iran thing. I'm pretty sure they weren't.

Q When was the Tel Aviv office closed?

A I don't know. You'd have to get that from Barbara.

Q But it is closed?

A It predated my service there, I would say, a good year and maybe more. It may have been closed in the summer of '85. I would defer to Barbara's testimony and her records.

Q In terms of what you know about why that operation was closed, it's based upon what Studley told you long after the fact; is that correct?

A That's correct. But I will tell you, Mr. Kerr, because she deserves her due on this one, I certainly wasn't suspicious of what she was doing in the past or what she was even doing at the time I was with her. I took issue with her on her concept of a just profit, but I didn't have any difficulty in believing, from the context, the particulars and the general thrust of the conversations and her philosophy, that she would never engage in any transactions of arms to Iran. I don't personally believe she would ever have done it, if she had been asked to do so by the White House.

Q In terms of the meeting with the three generals and Mrs. Studley, were you given an outline of their expectations of you, if you were to take a position with GMT?

A No. Very strange. I wasn't. In fact, it didn't seem to be that kind of a meeting at all.

Q Did there ever come a time prior to you actually becoming an officer of GMT, that you were told what was expected of you, given an outline of what it was you were supposed to accomplish?

A No. Except it was to run the company. So let me amend that. I was told to take over and run everything. Then I found out I couldn't run anything. I couldn't run administration; I wasn't privy to the finances, and I began to get the impression that my real purpose there was sort of a cardboard cutout, a person who, at least in Barbara's eyes, was influential, who would then be presented in an officer form, and on the basis of that, on her part, perceived influence, would then be able to put a transaction through. And I think it was painful for her to learn that a lot of the things that she would have liked me to do, I could not do, because of the conflict of interest and the ethics laws or that I wouldn't care to involve myself in.

Q Let me pursue that a bit further. Did there ever come a time before you actually became an employee of GMT that there was anything in writing setting forth your duties -- a contractual letter of understandng?

A No.

Q And offer? Anything of that kind?

A No, never anything like that. She said she had a very attractive contract for me. It was never proffered, and I really, you know, took the job on trial. I wasn't sure I was going to like it. It turned out, I didn't. In fact, I would like to say I would have left sooner, except she was struggling so desperately, trying to make ends meet. One month -- I believe it was January -- it could have been the first of February -- I received a bad check from her marked "insufficient funds," and it was several days before she raised the subject with me at all, and only because I forced the issue. And I think the reason she did it was her embarrassment. She couldn't bring me in and say, I got a bad check and we can't make good on it. It turned out it was a bank error, but the bank error came about because her funding was so thin, that the wire transfers would come the day the checks were due out.

I put it to you that any banking system is going to let you down if you play it that close to the line.

Q Where would the wire transfers come from?

A I don't know. But she spent most of her time -- she would tell me she worked night and day for GMT. I saw very little evidence of that. She put in, I think, about three useful hours a day that I could detect. But she spent an awful lot of time worrying about the financing, calling bankers in Florida and Switzerland, always with me walled out of that, on very secretive transactions to bring money in, and it all had to do with her own personal financial structure.

Q That's what she told you?

Do you have any personal knowledge?

A Yes. She told me that, and I also was able -- I will tell you, Mr. Kerr -- to conclude that realistically, from all the bits and pieces of the evidence that I picked up.

Q Do you, today, have knowledge of where she actually got the financing for this operation?

A No, I have no knowledge of where she ever got any of her financing. I know she had many different efforts that she would conceive in her mind. She went to many different people to seek money, and it was on a month-to-month basis. It all had to do with a trust fund she had, which she had created sometime ago and was an irrevocable trust. I believe it's in favor of her son, but I really don't know. Irrevocable on his part, breakable on her part, but only at enormous cost. It would cost her millions of

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dollars to break the trust, and she was always trying to borrow money on that trust.

Q Do you have any knowledge of the identities of people that she was trying to borrow money from?

A I don't. Well, let me correct that. From time to time, she would introduce me to people that she said she was trying to borrow money from and give me their names, but, you know, they didn't stay with me. They were businessmen, always friends of hers, who would be introduced to me in the office and then would leave, and I would never see them again.

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Q Do you know of any lending relationship between her and Werner Glatt?

A No, I don't. But I came to know a great deal about Mr. Glatt.

Q We'll come to that at another time. You don't know of him being a financial source for Ms. Studley?

A No, no. She never revealed that to me, although I suspect Mr. Glatt, if he wished to do so, could erect two or three of these buildings that we're in right now.

Q Well, let me focus again on this letter.

Were you aware at any time that Ms. Studley's bank in Geneva, Switzerland was also the bank of Werner Glatt?

A No, I was not, but it would not surprise me that that was the case.

But I was not aware of that.

Q Coming back to the company, at the time you joined the company, how many employees did it have and can you identify them for us?

A Yes. I think I have already done that for Mr. Albright.

Q You did in terms of her son.

A When I joined the company, the total employee structure as known to me consisted solely of Barbara Studley as president, Robert Schweitzer as executive vice president, Michael Timpani, who had joined the company about a week or a month, plus or minus, before I did and who I think you should talk to.

Q He's a former member of the Army [redacted]

A I wouldn't say he was [redacted] I don't know, but he flew missions in Latin America for Eden Pastora and perhaps for other of the contras.

I don't know who he flew for, but I knew he was down there flying missions as a private person. I don't know who financed him or who directed him to do that, but I reported that when I was here before under the subpoena and under the questioning that I received.

Q So I'm clear, Mr. Timpani had joined the staff shortly before you did?

A Shortly before, on the recommendation of General Singlaub. I had the impression he was a protege' of General Singlaub. But he and Barbara had done business before while he was with an organization called Falcon Wings, which I know a little bit about. A very honorable and good aviation company out in the southwest.

Q In terms of the business that T~~y~~impani had done with either Ms. Studley or General Singlaub, do you know what business it was?

A It was to try to, you know, broker airplanes -- noncombat aircraft from a seller to a buyer.

Q Was he doing that on behalf of General Singlaub and Ms. Studley?

A I think one of the aircraft that he had an interest in -- this is long before I came there -- was to get an airplane for the contras or for El Salvador, a gift. I think he may have been the man who flew the Lady Ellen down there.

Q A helicopter?

A Yes. It's been in all the media reports. I'm just not sure of what his connection was because it never came to light when we were there, except he had flown either at General Singlaub's behest or recommendation, or perhaps even directly for General Singlaub, and I suspect he wasn't reimbursed anything, or very little.

He may have been reimbursed as a pilot when he was flying for Eden Pastora. And I think that connecting him with Barbara Studley at a salary perhaps of about 40,000 a year was a way to get him some compensation for the patriotic -- and I put that in quotes -- work he had been doing before. A very honorable young man.

Q Do you have any knowledge of the role he had played in the trip that General Singlaub and Ms. Studley made to Costa Rica to meet with Eden Pastora on March 23, 1986?

A None. And I knew nothing of that trip at the time they made it or immediately thereafter. I only came to learn of it in bits and pieces.

There's a picture of Barbara Studley and Eden Pastora and General Singlaub obviously down in that area on the wall of her office.

Q What was Timpani's function at GMT at the time you joined GMT?

A He's a very capable aviation expert. He handled aviation matters. That was another one of the problems. He was supposed to be, along with Michael Marks, one of my employees.

But, Barbara Studley repeatedly broke that chain of authority of command and went directly to them.

I would see little notes that would be on the General Secretary's desk asking him, quote, "Here's an aviation conference. Do you think we should go to it?" Right up to the week that I left.

But, Barbara Studley tended to regard him as a son and told me that, and I tried to get her to work, you know, through a system, so if she wanted to task them, she'd task me and I would task them or at least be knowledgeable.

I didn't intend to be a bottleneck. And I explained to her if I was going to be an effective vice president, I had to be in charge of these two people. I was never in charge of her son.

Q Timpani was still in the employ of GMT at the time you left; is that correct?

A That's correct. And I don't know if he's still there now. I would think he is.

Q So we have gone through Ms. Studley, yourself, Mr. Timpani. What other employees were there?

A There was a girl who she has discharged, I'm told, fired within the last week, by the name of Cynthia

Brein -- B-r-e-i-n -- I guess it's i-n-g -- went with her to Tel Aviv when she shut the office down.

Q So that would have been back in 1985?

A Right. Cynthia could tell you all about whoever ran that office and what her beliefs were with respect to the honesty and integrity of that individual and why Barbara shut it down.

You'll get the same information from Barbara, but if you want an independent source who is no longer associated with GMT, Cynthia would tell you the truth, and I believe she would tell you what I'm telling you.

Barbara shut it down, not because she thought he was doing any business with Iran, but because she thought he was up to something and couldn't figure out what it was and got rid of him.

Q What was her function in the office at the time you were there?

A She was general secretary and the accountant, so she would know a great deal about the bank accounts and the personal affairs. And because Barbara was always dissatisfied --

Q You said she has been discharged. Do you know why she was discharged?

A No, I don't. But it happened recently. Barbara wanted to discharge her earlier and I pled for her retention.

Q Why did Mrs. Studley say she wanted to discharge Ms. Breining?

A I think the reasons were fair and I don't think we should go into that because it has nothing to do with your investigation.

Q Well, it may.

A But it doesn't.

Q You're not going to tell me what Mrs. Studley told you; is that right?

A [redacted] She was just unhappy with her.

I would offer to you that I don't think any employee would be acceptable to Barbara Studley over a long period of time. She's capricious, willful, emotional and vindictive.

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Q Let me put the question to you this way. In terms of what Mrs. Studley was unhappy about Ms. Breining for, did it have anything to do with a refusal to alter books or anything to do with the books?

A Oh, I don't know. I think it was more personal habits, that she found shortcomings, as you will in any secretary.

But there were also great strengths that were present.

Q You know of nothing relating to her accounting duties that caused Mrs. Studley to --

A No, other than that she felt she didn't do the accounting properly. Let's see. I can give you one thing. That she transferred money to the wrong account.

I was never told which were the two accounts, the wrong and the right one. I was told she had left sensitive files out. Files, incidentally, which Barbara said I wouldn't even want you to see.

Q Do you have any idea what those files relate to?

A No, I don't. And now you can see all the things that led up to my wanting to resign.

Q Apart from Ms. Breining, what other employees

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were there?

A There came, a very good woman whom you should call in, a young girl, I would guess about 28, in her mid-twenties, Fran. I think her last name was Hovey or Povey -- H-o-v-e-y or P-o-v-e-y.

You can get her name from GMT. She became the accountant and one of my concerns that I expressed to Barbara was Fran knew all the details of the banking arrangements and I knew none of them.

I said, "Here we've got a person supposedly as an assistant secretary," which is what I was told, to assist Cynthia because of Cynthia's alleged shortcomings in the secretarial area -- to do the accounting, do the secretarial work and the accounting.

But it turned out that Fran, who was quite cooperative when I asked her to do anything, regarded herself as Barbara's personal and private accountant.

Now you see the running together of the person of Barbara Studley and her financial transactions with the company. If you need a source who is totally knowledgeable in a way that I never was, even a fraction of all the financial transactions, this would be Fran.

She came from a bank. In fact, I think Barbara met her through the banking connections. She was a friend of Cynthia's and was the person at Virginia National or First Virginia, whatever the bank was -- please don't pin me to that -- that they were dealing with here in Washington.

So Barbara recruited her from the bank to do what she was doing in part for her in the bank.

Q When did Ms. Hovey join GMT?

A I would say right around the first of November.

Q And at the time you left, she was still an employee of GMT?

A Yes. Still very much there.

Q And at the present time?

A Very much so. I had occasion to talk to her this morning to say that I wanted to notify them that I was coming over to respond to your subpoena. And I also wanted to get some kind of a financial accounting for the salary I received and how they had disbursed that.

I never received a check voucher that showed what went to the State of Virginia and what went to the federal government. And I frankly had doubts because of the sloppy and unprofessional way that they handled their financial affairs, whether these payments had actually been made, and I wanted to at least have a check voucher. I repeatedly asked for one.

Q You did not get a W2 form for 1986?

A They refused to give me one as of this morning. They said they couldn't and I shouldn't have one. So I asked for a statement on company stationary, signed by at least Fran as the accountant but attested to by an Arthur Sullivan -- there's another name for you -- their auditor.

And Fran, with almost hostility, told me that I had no right to ask for it -- she implied I had no right to ask for it.

Q Just out of curiosity, how did you report your 1986 taxes?

A I did get a W2 for '86.

Q So you don't have one for 1987?

A I didn't have one and I requested one or at least some kind of voucher. Before I came in the Army, I worked at a series of jobs and positions in journalism and labor unions and humble occupations. You know, when you're working as a waiter and a bus boy and things like that, working as a mechanic, doing all kinds of odd jobs.

And even in those ancient days, when you weren't computerized and had staff to do it, any time you left employment, you were given a W2 form. Once you said that's it, I'm not going to work here any more, they always gave you a W2.

It could be July, they gave you a W2. And your problem is to save those so you didn't have to rerequest them when the time came.

And I was very surprised. But it was more than just not getting them. They didn't want to give me one and didn't want to give me any real accounting, so by pressing Fran to the point of annoyance in March, I finally got an unsigned, typewritten list of what was paid.

But there was no signature on it and I didn't have a comfortable feeling that these payments had been made, and I think with some testiness, Fran said they had when I asked her very politely if the payments had been made and said, "Could I please have some showing of this?"

Q So you would have had this conversation with Mrs. Hovey in March, after we served you with a subpoena?

A Oh, I have asked her every month since she came, starting in December -- December, January, February, March and April, this morning. And there was always resistance.

Q When did you actually get the statement?

A I haven't.

Q You have not gotten the statement?

A No. I got, as I say, with much pressuring of Fran, a typewritten sheet with no signature on it that just said, you know, so much for federal income tax.

Q You got that when?

A In March.

Q Late March?

A I would say yes, but I'm not sure. I would not want to throw a rock at them.

Q Did you get it by going over to their office?

A I didn't want to do that, but I think I finally had to. Barbara did not pay me when I resigned. The February pay.

And I didn't receive it until the 12th of March, although everybody else in the company had been paid on the 1st. And I finally had to talk to Barbara and said, "I really should have been paid when I left.

I was quite willing to wait until the 1st of the month, but since I was a departing employee, I should have been paid at the same time everybody else was paid."

And she explained it was part of financial difficulties. I said, "Well, I shouldn't be bearing the brunt of those, but I'm willing to do it."

So she asked me or Fran to hold the check and I did for a couple of days, all of which is very strange, very unprofessional, very unbusiness-like.

And when I got the check, I couldn't comprehend it because it didn't make any sense. I asked for statements and I think I got one in pencil. And then I finally got a typewritten one which didn't make a lot of sense. And I finally got it telephonically, so the statement I'm holding right now in my 1987 estimated tax is a handwritten statement which is the most comprehensible one. And I'm going to believe that they made all the payments.

Fran is very insistent that they have and I'll accept that. But I'd still like to have a voucher or a piece of paper or a check stub or something that shows this, you know, with a name on it, and that's what I asked for this morning.

Q Were you in the office of GMT on March 27, the day Ms. Studley was served with a subpoena from the House of

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Representatives?

A No. And I didn't know that that was the date.

Q All right. I'll come back to that.

A Yes, you should because we have to talk about GMT. I did interface with them after that.

Q Let me come back. You talked about Fran Hovey. Any other employees at the time you came on board or thereafter of GMT?

A No. One of the days that she fired Cynthia -- and I think she fired her several times or attempted to -- there was a Kelly Girl who came in, but she was a total cipher and didn't contribute or learn anything, I'm sure.

Q No other fulltime employees?

A No, sir.

Q In terms of her son, her son's last name is Marks -- M-a-r-k-s?

A Michael Marks.

Q His position, frankly, wasn't all that clear to me.

A I would say he was the real executive vice president, but he was not presented that way at all. He did all the interfacing with his mother, usually behind closed

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doors, sometimes not.

A very fine young man. He has a law degree from University of Florida, or the University of Miami, from Holland Law School. I think it's the University of Miami. Don't hold me to that if it turns out to be the University of Florida.

But a guy who is totally overwhelmed and totally dominated by his mother. He will do anything she tells him to do, [redacted]

But, a fine young man. I don't want to -- here's a young man. I think his mother has been through two marriages. I think he is the son of the first marriage. I think his father is Jewish. That may explain some of the affinity for Israel that Barbara has, which she has.

It's a very real and commendable liking for the State of Israel and a desire to be supportive of them.

Q Are you familiar with specific officials of the government of Israel that dealt with Ms. Studley at the time you worked with GMT?

A Only [redacted]

Q Can you spell that?

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A [redacted] He was a former attache who is now in business. And as you may know, the traditional practice in the State of Israel, as in many countries, is once you leave government service, either in the Foreign Office or the Ministry of Defense, you enter into one of these state-owned industries.

For example, FIAT of Italy, Whitehead, the torpedo entity, which is one of their companies under the Fiat multi-national, is staffed almost totally by former Italian admirals and captains.

I'm trying to show here that there's nothing wrong. In the United States, there would be difficulties because of the conflict of interest laws in military officers doing this, and in almost every other country, certainly to include England, where members of Parliament run businesses which do business with the government.

At least one of them was in the business of brokering arms to us. And then sell to whomever the Central Intelligence Agency or whomever we were going to get them for

The other countries don't consider that as a conflict of interest and I don't want either my testimony or

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the fact to emerge there's something wrong with Israel doing this.

Q In terms of [redacted] and his relationship with GMT, what was the relationship?

A He was very close to Barbara and involved transactions that I'm not familiar with.

Q You did not have occasion to work on deals involving [redacted]?

A We talked a couple of proposals. One was a small piloted aircraft which would be for intelligence collection which would be sold to another country, and we went in a very proper way.

Had I stayed there, I would be arranging that interface and, for all I know, it is taking place. I don't think we should name the other country because it's a good ally of the United States.

Q No problem.

A There's everything proper with this deal and it never matured while I was there.

And then there was I think a proposal, another business from [redacted] involving automobiles that may still be alive and well in GMT.

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Q You never had any involvement with an Israeli attempt to sell torpedoes to any country. Is that correct?

A No, I did not, but I know about that. I don't think it's germane to this investigation.

Q Well, there I differ with you, but in terms of that transaction, that would have preceded your involvement with GMT?

A It definitely did. But General Singlaub and Barbara and [redacted] were very much involved in that. It went nowhere because the State Department would not, as I understand it, allow an export license -- a reexport license.

These were foreign military sales. I think they were World War II torpedo models.

Q Your understanding of when the torpedo transaction took place would be sometime in 1985?

A Yes, sir.

Q Did you ever have occasion to talk with Ms. Studley or General Singlaub about a proposal to utilize that transaction in conjunction with [redacted] to generate funds for the contras?

A No. I did learn of that -- and I wish Mr.

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Albright were back in the room -- subsequent to that by an admission of General Singlaub, since I testified here on the 17th of March, that he had gone to [redacted] on that cause.

I have written on that subject while I was in GMT in a letter that Barbara saw and approved that said I thought any notion of this would be very much against the best interests of any of the countries involved: Israel, [redacted] the United States or the contras.

And, therefore, because it would be in nobody's interest, nobody should think that GMT in any way espoused that.

When I wrote those words, I believed that they were true. And I did not know how, incidentally -- to clarify this part -- that General Singlaub was acting on behalf of GMT. I thought he was doing something on his own.

So let me clarify that. I did not know that he was proposing that the money that would come -- now let me get this right --

Q Let me give you another question.

A If I could just put the transition I tried to get on the record. I'm working very hard to answer these questions very honestly. What's making it difficult is that

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you're asking me questions about things that took place before I came, that I only came to have incomplete and incremental knowledge in little bits of pieces over a long period of time.

Let me try to go back to this first question and give you my best recollection on it.

Sequentially, I first believed and was led to believe by Barbara Studley, who was very indignant with General Singlaub at this point, that there was any connection between the early effort to sell World War II torpedoes in the hands of [redacted]

I then came to learn that General Singlaub had gone to [redacted] with a proposal of his which was presented to me as his idea to sell weaponry or things and to use the profit from that, which would be generated, to give to the contras as a gift, a donation by the buying country.

I finally learned -- and would say this would have to be in the latter part of March -- that General Singlaub had some kind of a charter from Colonel North to do this, to go to [redacted] or General Singlaub thought that he did. And you should ask General Singlaub about that.

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Q I have spoken to him at great length about this point.

A I may be bringing water to the mill because I'm giving you my recollection of what General Singlaub said to me, often over a long distance telephone call and, therefore, elliptically, because he's trying to preserve some type of operational security.

I personally thought this was a bad idea. As I said, I stated so in writing. In fact, there's a document in GMT that will show that I said this, and addressed it to the [redacted] authorities, saying that it was a bad idea to do this.

And that if there was to be any business that GMT was to be a part of, the goal should be to procure whatever their legitimate needs were at the lowest possible cost to [redacted]

Q Let me interrupt you. When would you have written this document?

A In November. In some iteration in December, and in February, just before I left.

Q So it would have been a series of documents?

A Yes.

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Q And what were they?

A All to that effect.

Q Letters? Memoranda?

A Letters.

Q And they were addressed to whom?

A Can we go off the record and come back on?

MR. ALBRIGHT: Sure.

(Discussion off the record.)

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EVENING SESSION

(6:00 p.m.)

BY MR. KERR:

Q Let me take you to October-November 1986. At that time, in conjunction with a possible business deal between GMT and [redacted] you had concerns, I take it, about General Singlaub being involved in a trip [redacted]

Could you explain that to us, please?

A Yes. He made a trip I believe in October. It certainly wouldn't have been earlier than the end of September, [redacted] in which he insisted on going over there to use his influence and good offices to assist in this business deal.

I believe, and Barbara Studley believed that because of his very legitimate philosophical and ideological orientations on other causes, that his activities or representations would be counter-productive since, based on discussions between Barbara and myself, these other causes that General Singlaub supported had nothing whatsoever to do with GMT or its business, especially in relation to [redacted]

[redacted]

Despite strong urgings and to the extent that we

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could direct him, he went anyway. He did not tell us what he did on his other causes, but I knew he would be unable to separate himself from his larger interests, especially in a group of very staunch anti-communists -- ideological anti-communists [redacted]

So it was because of that that I entered on my trip to [redacted] with a great deal of trepidation, knowing that despite General Singlaub's sincere best efforts, that assent had now been made more difficult.

And I would like to tell you who accompanied me on that trip.

Q That was my next question.

[redacted]

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[redacted]

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[redacted]

A Exactly in November. I think we left here on Election Day. So, the second Tuesday in November, so we could both vote, and then we went first to [redacted]

We did that and it was successful, and then we [redacted]

Q And you returned when?

A I would say about the second week of November. The first week, I would say, was spent in [redacted] We left [redacted] on, I believe it was a Sunday morning, [redacted] I remember I went to church late in the evening downtown and then we left the following Saturday.

Q And did there come a time in February of 1987 when it came to your attention that there had been a proposal by General Singlaub to utilize profits from GMT transactions in military goods for the benefit of the contra

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movement?

A That's correct. He told me that a year earlier and, again, I don't think he gave me the dates. I certainly don't recall them. If he did -- and I don't believe he did -- but, in an earlier effort to transact some business with [redacted] that he had proposed that some of the profits of such a transaction be given to the contras on the basis that they were very anti-communist.

Barbara Studley was very anti-communist and so were the contras and that this would be a way to send money to the contras through a business transaction which would not identify publicly [redacted] and do in Europe, would enable them to make a contribution to the war -- I'm not using John Singlaub's words -- the war against communism, without bearing any of the onus or odium of making such a contribution.

Q So that I understand what was being proposed, General Singlaub was essentially proposing that the [redacted]

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[redacted] agree to pay GMT more than the fair market value of certain goods, with the understanding that GMT would take that excess value and pass it to the contras.

Is that correct?

A Yes. And I'm glad you asked the question that way because when I learned this, which I would tell you was early in February, and if somebody with better knowledge says it was late in January, I'll accept it. But that's my recollection of when I learned this.

I went to Barbara Studley and I said, "Barbara, this is a crazy idea. Did you agree to this? Did you know about it?"

And she denied emphatically, you know, with emotional, almost a tantrum that she knew anything about it or ever would consider it or condone it.

And I would tell you under oath that in all of the conversations I had with Barbara Studley, there was never the slightest glimmer that she was going to take any profit from any business deal and donate it to the contras or anybody else.

She was going to put it to a kind of operational fund to run the company. She always used the figure of

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about $3 million so she wouldn't have to worry about the company financial structure, which she had been doing on a daily basis to the point where she would become violently ill.

She wouldn't have to worry for I think she said two years and then she would use the money to give to me or to other employees, she said, on your recommendation. And I always pushed that aside.

Q Now, you learned this information from General Singlaub?

A From General Singlaub. I have no reason to believe that he wasn't telling me the truth.

Q Was there anyone else present when he told you this?

A No. He made a lot of trips in and out of Washington at that time and it may have been in a personal conversation with him in Washington, but I believe it was on a telephone call. I believe that it was even a long distance call. But it may have taken place in Washington.

Q Did you make any note, memoranda, record or recording of this conversation?

A No, I didn't because it was such a bad idea and

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Barbara Studley denied any knowledge of it.

Q You did, however, write a letter in February to [redacted] is that right?

A That's correct. And the reason I wrote the letter was threefold: One was when the Hasenfuss plane went down on the 5th of October and the Ollie North revelations came out, whether there's any merit to them or not, it was clear that the authorities [redacted] would be very leery about entering into any business deal that would in any way connect them with any of these activities.

I was always at pains initially on a speculative basis that they would just have these fears, and there was no basis for them to have the fears and to allay them.

Then, in February, when I learned that General Singlaub had indeed proposed to them a linkage with GMT and with donations to the cause of the contras, I was horrified that he had made such a proposal, which to me, entirely apart from being bad business, was in the manifest disinterest of the United States government, any U.S. company, the authorities [redacted] any other government that you would be buying or selling from in order to assist them, and the contras.

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I could see that everybody was going to lose from such a proposal. So, armed with Barbara's very emotional outrage that this was never considered by her or by GMT at one time and my own strong belief that it was a bad idea and the other convictions, since I was the negotiator and people [redacted] would not deal with her at all ever again, that I could control this thing, I wrote the letter that said we do not believe that this is in your interest or the interest of any of the other parties. We have never considered this.

I took Barbara's word, mainly because of the enormous emotion that came up, the vitriol against General Singlaub, how could he have ever done this, you know, that kind of thing, as the absolute truth.

So I wrote what to me was a very truthful and accurate letter saying we do not propose to ever use any profits; instead, what we propose to do is sell you whatever it is we're ever going to sell you at the lowest possible price.

And I, incidentally, was determined that when the transaction was finally concluded that that's exactly what would happen.

Q Do you recall the name of the person to whom that

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letter was addressed?

A [redacted] He would be mortified if you did.

Q The letter went out under your signature?

A Yes.

Q And the approximate date was when?

A The 16th of February. And let me give you for the record so it doesn't appear there's anything Machiavellian or subterfuge. When I wrote the letter I was employed by GMT and I signed it and it was delivered to [redacted] because, remember, at this time, they said red light, break off all negotiations, we're not going to do this.

And I knew they didn't understand how good -- really good the field was for them and some favorable developments that had taken place.

I'm going to guess my original letter was on the 16th. I then left GMT and as I left I learned about three

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more very favorable developments, including -- let me just say very favorable developments that would cause any buyer to want to go ahead with the transaction.

Now, I had a conscience problem. I learned this as I was leaving GMT, while I was still salaried by them. But, my letter, which was previously delivered, because of the decision to leave on the 20th, was taken quite swiftly and I offered to stay later and Barbara said no, let's just do it all today, and I said, "That's fine with me. I just would like to, you know, I'm resigning on integrity reasons, but I'm willing to stay until the end of the month if you need me."

She said, No, no, it's better we do it today. So now I go home and I think about the fact that letter -- had I stayed one more day, even more than cleared out my desk, I would have rewritten the letter and changed a copy putting in more favorable information but leaving the preamble the same, which was this business of we never considered, we're not considering now and we never, ever would; wild horses couldn't make us take one penny.

I think maybe that word is even there, not one dollar would ever go to any other country. I said that

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despite ideas which were advanced in some quarters, knowing that General Singlaub now is the one who is advancing them, and putting that in there because if they knew it, they woul understand that General Singlaub is speaking for himself, not GMT, which is the way I believe the transaction to be at that time.

So I offered to rewrite the letter. Barbara was out of town on one of her frequent banking transactions. This one was down in Miami. Her son thought that was an excellent idea, so I redrafted the letter to put in these more favorable considerations in Ray Cline's office.

I might add at this point that [redacted]

So it was proper for me to talk to him about this. He was now following on behind me and he thought it was a good idea to rewrite the letter and I rewrote the letter.

I was told by her son that Barbara was very pleased at the way I had rewritten it because it was a better selling letter, and I said, "I don't want to come

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back to GMT, but I will go to Dr. Cline's office to sign the letter if you ever type it up in final and present it for resignature."

And they sent it over with the date of the 28th of February and I said, "No, I won't sign anything after I left." I would sign any letter or revision, since I did my own revisions. I wrote every word of the letter, incidentally. Nobody helped me on it, every word of the revision, but nothing that would be post-dated after the 20th, because that would not be honest.

And nothing ever came of that. I had marked up the original letter of the 16th, the original signed, to redo it to make it factually correct with these better, more recent developments, and it actually transpired on the weekend of the 13th, 14th, 15th -- I think you're going to find the 13th is a Friday -- so there you are.

That's how it happened.

Q Do you know if the separate letter ever got delivered to [redacted]

A No. And I think Barbara's approach was that Dr. Cline should sign the letter, and I told him, you know, be my guest, but I don't think you can because you're not privy

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to all the things that I'm attesting to that have taken place.

But, however you want to do it, it's up to you. All I'm trying to do is in conscience not leave them with a less-effective letter than I would have written the day of the 20th if all the problems of the 20th hadn't occurred.

Is that clear?

Q That's fine. With regard to what occurred in March, you personally learned in March additional information from General Singlaub about his authority to make this approach to [redacted]

A Yes. And, again, this has to post-date my meeting with Mr. Albright, unless I don't recall what's in that transcript, unless I told you about this then.

Q No, sir, you did not.

A So I will tell you after the 17th of March I learned from General Singlaub again, and again it was on raising the question with him, because I was reading the stories in the newspaper or getting insinuations from journalists who were calling me to develop a story, which I was denying.

I asked General Singlaub -- and remember, I was

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the one who initiated it -- "Did you have a charter?" See, I thought this was just General Singlaub, the activist, the conservative, the true believer and the need to resist communism doing this on his own, free-lancing, which he does. And there's nothing wrong with that but if we ever go to World War III, we'll wish we had some more General Singlaubs around before the fact.

And I asked him if he did this on his own or he had some charter at the time. He told me to my horror that he had a charter to go from Colonel North, but he believed that it was from the President, because he said Colonel North had told him it was the President who wanted him to do it and he needed to be able to tell -- he needed that because either the people [redacted] had previously asked him or he knew he needed to tell them.

I think it was the former, they had previously asked him. "Are you saying this on your own authority or is this from the President of the United States?" And he assured them it was from the President of the United States because -- third hand, fourth hand for you -- he told me that Ollie North told him it was.

Q Now, you had this conversation with General

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Singlaub over the telephone or face to face?

A I think that one, because it was -- that one took place here in a hotel room, the Willard Hotel, I'm going to tell you. Please note, Mr. Kerr, that if I'm wrong on the dates, I'm trying to struggle out when all this happened.

Q Just do the best you can. That's all we ask.

A I know one thing for sure. Because of the long session, the detailed questions, my attempts to even over-answer the questions to be sure nothing got left out with Mr. Albright and his colleagues, if I had known this then, I would have told him.

Q I have no doubt about that.

Was there anyone else present when you had this conversation with General Singlaub?

A No.

Q Just you and General Singlaub?

A Just General Singlaub and I. Whether it was telephone or in person.

Q Did you make any notes, recordings or any other documentation?

A No, sir, I didn't. See, he was in town to testify. I know he's an extraordinarily truthful man.

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There's no way he's going to tell a lie or dissemble. And if he's asked, the one thing that he would do that is perhaps different from me, he'll answer only the question that's addressed.

He won't perhaps help or over-help the counsel the way I tried to do, and I don't know that you always appreciate it.

Q Your deposition was taken March 17.

A Right.

Q General Singlaub was interviewed by me and other attorneys on the 19th and 20th of March here in Washington, D. C.

A Right.

Q Is that the right period of time?

A No, I think it was later because -- do we know when he left?

Q He left the States or left Washington, D. C.?

A I'll tell you why I know it was later. He left Washington, D. C. So that may have been on the telephone, the conversation, because I called Mr. Albright to tell him one or two more things and I know that if I had had this knowledge on the 18th or 19th, I would have told him.

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I can tell you on the 18th and 19th he was totally preoccupied with his lawyers and the committee. I think it was after he was all through, at the end, and I assumed that this had come out in his testimony to you.

May I ask, did it?

Q In a sense, it came out.

A Okay. That relieves me.

Q With regard to the description of the charter from Colonel North, did he give you any more detail on the nature --

A My impression -- remember the parsing of this -- my impression was that his impression was that whatever Colonel North told him had come from the President. In fact, I think he told me, if my memory comes back, he told me he pressed Colonel North on this.

He said, "I'll have to tell him that this comes from the President. Does it?"

And Colonel North said, "Yes, it does."

I think his question was, "Is the President aware of this and does the President personally want this?"

He said to me Colonel North told him -- look at all the hearsay there -- "Yes, the President did."

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Q Did he place this event in time for you? Did he say when this occurred?

A No. And I have no idea except it was in the ancient past. Again, I'm giving you my best recollection.

Q That's all we're asking for.

A It may be, Mr. Kerr, that he had this mission in connection with the September trip and he may even have told me that, but I can't recall that now. If you ask him, he will tell you.

Q October 1986?

A This year.

Q This past year, 1986?

A See, now, this would explain why he persisted in going when, at that time, he did not tell us that he had a White House mission, if he did, and why he just sloughed off our concerns and was just impervious to our pleas not to go.

If he felt he had a mission from the White House, no power on earth could have kept him from going.

Q Apart from this March conversation you had with General Singlaub, had you ever discussed this matter with General Singlaub on any other occasion?

A When he told me this, I then recalled a long time

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ago, more than six months, and I don't recall when, that he had raised this as an idea, that countries should buy military goods that they need from U.S. companies that were "right companies" who would then give part of that profit to aid the contras and other resistance groups.

It wasn't just the contras. [redacted]

General Singlaub has a lot of causes.

Q I understand. Do you recall him having raised this to you sometime in the fall of 1986?

A Let me bring out something I was going to show you. This exists only as a fragment. This is a paper that Barbara Studley gave me before I went to work for her as an idea that was intended to demonstrate her own intellectual depth and ability to understand international relations and come up with innovative, creative ideas.

She insisted this was her own idea and always has. She asked me what I thought. I didn't work for her. I wasn't too sure I was going to and I just made a polite comment.

She told me that General Haig thought it was a

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marvelous idea; he thought it was the greatest idea he ever heard of, Barbara Studley told me, when she went to see him about it. It is a proposal of which I only have two pages-- a diagram and a paragraph four, which says, "Results".

[redacted] Then [redacted] would deliver arms to be channeled through a trading company -- guess who that would be?

Q You understand it to be GMT?

A That was Barbara's idea, of course. But in the model, it's just a trading company. To [redacted] for freedom fighters, arms to be disbursed as per U.S. instructions.

And now that is not a cosmetic. She is very

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sincere when she says that. So she saw herself being at the apex or the linchpin of a huge international relations trilateral or really more than trilateral -- a multilateral deal because it would involve resistance movements, and these were just notional in at least four countries.

I think it isn't to be vain to say I am an expert in international relations. This is a crazy idea. This is an idea that a secretary of state and all his assistant secretaries would have a terrible time over several years putting together because look at the complexity of it, all the agreements you need, and you certainly have difficulties with [redacted] the United States and the private companies involved, each wanting to maximize the profit motive.

As gently as I could, I pointed that out to her. She gave this to me as my first project to bring to fruition, and the kindest thing I ever did to her with the idea was never mentioned it again.

But here it is.

Q Does it continue to be --

A And the reason I bring it out now is I was going to offer it at the end just to show I hadn't held back any

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papers. It doesn't have anything to do with your investigation. But I don't personally believe that Barbara Studley was capable of conceiving this on her own and now putting three things together, you know, the ancient memory of an earlier idea -- maybe it was a year ago when I was on active duty and General Singlaub proposed this to me -- I thought it was such a bad idea.

I just wanted it out of my head. I told him it would never work and forgot it. Then you put it together with these earlier questions you asked me, either consciously or unconsciously, this probably came from General Singlaub's proposal.

Now, it has nothing to do with this investigation. I mean, this paper here.

Q Let me put it more precisely. Do you have any knowledge of consultations Mrs. Studley had with [redacted] officials about this proposal?

A None, because all I ever did was throw cold water on it. Too complex, too apt to go astray and too apt to involve anybody who got involved in it with subsequent investigations, not by your committee but by other committees.

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I think that thing is just fraught with the potential for kickbacks, for conflicts of interest, for gouging, for price ripping and of course you would need -- if you wanted me to bring this whole thing to fruition, you would need at least a good bureau in the Department of State and full interagency cooperation, which is what she wanted.

She wanted the United States government to put this deal together and then she would be the trading company that would profit from the whole thing.

Q Did it ever come to your attention that General Singlaub, working in conjunction with GMT, had approached the [redacted] to engage in arms deliveries transactions on behalf of the contras?

A No, sir. And I would have recommended against it retroactively while I was there. I don't think these proposals -- sincerely, I think they're in the worst interest of all the parties.

[redacted] needs our support. They don't need to be tarred with other controversial causes in the U.S. Congress.

Q Bear with me now. You were not aware of an effort by General Singlaub to get [redacted] to provide anti-aircraft missiles to the contras. Correct?

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A I never heard of that.

Q Were you aware of an effort engaged in by Colonel North, amongst others, to get [redacted] in September and October of 1986 to donate AK-47s to the Nicaraguan contras?

A Never. Now, I did know that General Singlaub and Colonel North had an interest in getting surface to ground handheld weapons into the hands of the contras, but I never knew that GMT had anything to do with that.

Q You were not privy to a transaction that was agreed to by [redacted] to provide AK-47s to the contras in October of 1986?

A No, sir. And I would think that would be very much against [redacted] best interests.

MR. KERR: Can you mark this document as Exhibit 2?

(Schweitzer Deposition Exhibit 2 identified.)

MR. KERR: If you don't mind, I will take a break for a few minutes.

(Recess.)

BY MR. KERR:

Q General, I'm going to take you back to August of

1986. I want to ask you about some of this that took place in 1986. In August of 1986, a vessel known as the PIA VESTA -- V-E-S-T-A -- was being held by the Government of Panama and there was considerable controversey in Latin America over that vessel and its relationship or what people thought was its relationship to the Nicaraguan contras.

Do you have any knowledge of the PIA VESTA?

A No, none whatsoever. However, I offer it to you because it sounds from your question like you think there may be a connection with GMT.

The first three weeks that I was at GMT, that's all Barbara Studley talked about.

Q The PIA VESTA?

A Yes. And I could never understand why we were wasting so much time talking about this. A man by the name of Duncan --

Q Yes, sir.

A -- whom I never met, who came through her office and she felt herself --

Q Let me stop you. This is David Duncan. Were you present when he came through the office?

A No. I never knew him, spoke to him or anything

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else.

Q Was it your understanding he came to the office before you had joined GMT?

A Yes. And whatever it was, she felt herself charged to write a memo and deliver it to Ollie North. She then was going to give that memo to a newspaper man. I cautioned her against that because I said, "You can make yourself civilly liable in this regard."

And I could never -- in fact, after a while, after I had been there longer, because it kept coming up-- the subject never really went away -- I asked her why are we always going through the Washington Post news story?

I said my greatest curse when I worked in the White House was we would spend a whole morning answering the Washington Post, instead of getting down with the business of government, when the stories had no relevance to reality or what we were doing or what we knew about it.

I said, "It seems to me you're falling into the same trap that people in government do. The higher you are, the deeper you're in the trap."

I never got an answer from that. So, if you're going to suggest to me, you know, that somehow that was her

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ship or she was involved in it, I never knew that. But it would make some sense why we had all of these incessant conversations, but nowhere did she say that's my ship.

Q I'll give you a series of questions. You do not know David Duncan, is that right?

A No.

Q Did she ever describe to you Mr. Duncan's relationship with a Miami arms broker by the name of Ronald Martin?

A Yes.

Q And what did she tell you in that regard?

A Just that he was an associate with them.

Incidentally, that's one thing for you, Mr. Albright. When I was here, I was always tempted to call you back -- maybe I did. The world's living, breathing expert, next to [redacted] in all of this is a staffer in this building of Senator Helms. It's Deborah DeMoss, the brother of Mark DeMoss, now trying to defend the poor PTL.

Deborah knows every bit of dirt that exists on Ron Martin, the Tamiami gunshot, David Duncan and every other crook in -- and I want to distinguish that. I'm not saying he's a crook.

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I should say every crook in Latin America, especially in Central America. She and [redacted] are the two best sources in Washington, and I believe that Deborah DeMoss forms Barbara Studley's thinking on a lot of these issues.

Q Why do you believe that?

A Because they are in constant telephone communication. They are from the same part of the country. Barbara Studley would have learned that she's a Born Again Christian. Can we go off the record just for a second?

MR. KERR: Certainly.

(Discussion off the record.)

THE WITNESS: Whenever she and Debbie, who I initially thought was an ideologue, when I was on active duty in the Army, who was so conservative that she was way to the right of me and didn't see reality properly, I came while on active duty to develop a tremendous respect for her.

I thought that she was just a young girl, you know, romantic, seeing some of these dashing counter-insurgency, anti-communist people like Roberto D'Aubbison and become enamored of them philosophically.

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Debbie DeMoss is one of the sharpest, most intelligent and certainly has got the greatest depth and greatest knowledge of any civilian that I have run into in Washington. And if you want information on Ron Martin, the Tamiami gunshot David Duncan, she's the best one to go to and I feel from, again, the bits and pieces that she's formed a lot of Barbara Studley's attitudes and thinking, because I found Barbara Studley kind of misquoting what would turn out to be very accurate quotes from Debbie DeMoss.

I think, with Debbie, you have to discount some of her very legitimate conservative bias that you may not share in order to appreciate her factual data bank and the basis of her information.

Q Did you ever learn of a relationship to General Singlaub by Mr. Martin?

A No. And I'd be amazed if he had one because everything that I have heard of Mr. Martin would make him the absolute antithesis of General Singlaub, who is kind of an archetype of honor and duty and country and honesty and almost all the last century codes of ethics.

You very rarely meet a man who has a sense of what it is to be a gentleman.

Q Did it ever come to your attention that General Singlaub was trying to encourage the Central Intelligence Agency to buy what is known as the Arms Warehouse [redacted] [redacted]?

A No. But I think it would be a good idea if they had one.

Q Do you know who owned that warehouse?

A No.

Q Mr. Martin. With regard to PIA VESTA --

A Wait, let me correct that. I think I had learned again since I came to GMT that Martin was in the warehouse, and I believe I may have testified to you -- I certainly have to some other committee -- that at a time when the Soldier of Fortune magazine people were down there, there was an attack on the camp, and in order to get ammunition.

This is a Debbie DeMoss story. They had to call Ron Martin, and before he would open the doors to allow ammunition to resupply the defenders, he had to get a voucher that they would pay for it.

In other words, he sold them the ammunition they needed to save their lives during the height of the attack.

And if that's true, that's all you need to know about Mr. Martin.

Q Did Mrs. Studley ever relate to you what transpired in her meeting with David Duncan?

A Yes. She talked endlessly about it, but it just didn't fit in, it wasn't relevant. She was very antipathetical.

Q To Mr. Duncan?

A To Duncan. Showed no warmth or relationship or anything else. Very antipathetical towards Ron Martin, again reflecting I think a lot of Debbie DeMoss what I would believe to be accurate judgment.

Q With regard to the July '85 arms shipments which Mrs. Studley was involved in, did she ever tell you who took delivery of that shipment?

A I think she did.

Q Did she mention the name of Mr. Delamico?

A Yes. I think her version of that is he came down and kind of interfered and took charge when he shouldn't have.

Q Did she tell you who Mr. Delamico's associate was?

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A No, but I know.

Q Who would that be?

A Ron Martin and another [redacted] person or two down there.

Q Did she tell you where the arms that she caused to be shipped [redacted] ultimately ended up?

A No. Well, if she did, I don't remember it.

Q You don't recall her telling you the arms ended up in Mr. Martin's arms warehouse?

A Yes. With that refresher, she did tell me that and she subsequently told me he sold them after she had noted them or the ship was prepaid for, that he resold them to the freedom fighters, and I think she said she got this from Adolpho Calero.

Whether any of this is true, I don't know. You hear all kinds of stories.

Q When did she have this conversation with you?

A Oh, I think several times in the fall of 1986.

Q Was there anyone else present when she had these conversations with you?

A Oh, yes.

Q Who else?

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A Michael Timpani would have been there at some versions of it. Michael Marks had some. Some with me.

Q Did you ever see anything in writing about that aspect of this transaction?

A Not that I can recall.

Q With regard to the Duncan conversation, can you remember any more particulars about what she told you about her meeting with David Duncan?

A No, because the whole thing just sounded so bizarre. I could never understand why she was so upset by the conversation, why she felt a mission to send a report of it to Ollie North, why she was even concerned or why she even received Duncan.

She received him after he was in the newspapers, you know, telling wild stories, which Barbara said were wild stories.

And I asked her, "Well, why on earth would you ever have him in here?" And I never got a satisfactory answer to that.

Q Did Mrs. Studley ever tell you of a meeting she had with Robert Owen with regard to the PIA VESTA?

A Never. And I didn't know she knew him at all.

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Q She never told you an assignment she got from Robert Owen to go to Geneva, Switzerland to meet with someone known as Patrice about the PIA VESTA?

A Never. This all is supposed to be happening in the fall of '86?

Q I believe it would have happened August 1986 and a bit before. Then the trip to Switzerland would have been the August-September period.

A Well, again, then this would be justifiable for not telling me because it was not on my watch. See, when I came in, if I could add this now to reinforce what I said earlier, without holding school for her, I made very clear what my standards were and what my understanding of public policy law and the way the company was going to conduct itself.

And I may have had an unintended suppressing effect of all of these earlier stories because it would be clear from the most inattentive hearing of what I had to say about all this, that I would be opposed to the point of quitting the company if anybody proposed or said they were doing it in the past.

And, indeed, I would have left right then.

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Q At no point did Mrs. Studley ever tell you she had received an assignment from Colonel North by way of Mr. Owen to go to Switzerland to gather intelligence on the PIA VESTA? Is that correct?

A I would frankly doubt that Colonel North would have ever given her such an assignment.

Q Did you ever read the August 29, 1986 memorandum she prepared for Colonel North?

A I have no recollection of it.

Q Do you know that it relates to the PIA VESTA?

A I think I was used as a courier for that memorandum, but it was in a sealed envelope and I would tell you I didn't see it.

Now, if Barbara says that it was shown to me, it certainly didn't register on me at all. And if it was on the PIA VESTA, it would have registered. So that would have explained why it was in a sealed envelop.

In fact, I was told, if I recall correctly, that it was the report of her meeting with Duncan, and I was asked to -- it was the first thing I was asked to do on the 1st of September.

Q Do you know that her meeting with Duncan

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concerned the PIA VESTA?

A Absolutely not. She never mentioned it.

Q Did you know that Duncan was the owner of the cargo of the PIA VESTA?

A Now, that she told me. She came in with this wild story of how the cargo -- just so wild, I can't even remember it because it was so patently untrue, and I had difficulty remembering things that are absolutely false.

But his account as relayed by Barbara to me was so patently false that probably at the end of the day I didn't even remember it. I just dismissed it because it was false.

And Barbara said it was a crazy story.

Q What were you told about the cargo of the PIA VESTA?

A I really can't recall with any accuracy other than it contained arms. And I think what I divined from the story was here was a man who had a cargo of arms; he tried to blame it on to -- blamed the responsibility -- assigned the responsibility to [redacted] who was denying it; and I divined he hadn't been paid for it and didn't have the cargo, so now he couldn't go back to his boss [redacted] because he didn't have the cargo to reassign or assign since it was being held in Panama [redacted]-- and didn't have the money.

And he falsely blamed [redacted] I know [redacted] very well. I can't imagine [redacted] would have anything to do with an operation like this, from my knowledge of him. He denied that he did.

Q Do you know the relationship between this cargo and an attempted coup in [redacted]

A Absolutely not. But I think there was a suspicion of a coup. We all did at that time. And, in fact, I was actively involved in cautioning the [redacted] Armed Forces, including a session with [redacted] up here, to support the Constitutional authorities, much as I did with [redacted] in November, that under no circumstances should anybody in the Armed Forces [redacted] do anything that could even remotely be interpreted as a move against [redacted] that if they did that, all the support against the communist guerrillas, who were then rampaging [redacted] would be lost.

And I said you shouldn't do it on the high ground, that it's wrong; your constitutional oath has to be t the President, in those days of yore and have to be of yore. And, secondly, if you or anybody in the Armed Forces does, they will move -- the Congress will move to cut off very necessary support at a time when it's very vitally needed and we're about to see a whole new phase where the guerrillas are on the decline and the government is on the upgrade.

Q When did you have this conversation with [redacted]

A [redacted] I had that conversation with him and with [redacted] on several occasions in the summer and I would guess I was still on active duty, so it would have to be the spring and summer of 1986.

And I would tell you, especially since this can't get into the public record, it fell on very, very receptive ears. I had no resistance to it at all.

And I always talked to him in concert with other key officers.

Q This shipment of arms arrived off the coast of Panama on June 11, 19 --

A Well, it had a strange peregrination. It started up in Peru.

Q Well, it went a number of places, but it was in the area of Panama on June 11th. It was detained on June 14th.

With regard to your conversation [redacted] [redacted] would that have been in that time period?

A I think so.

Q Did you ever learn what the cargo of that vessel was?

A Pardon?

Q Do you know what the cargo of the vessel was?

A I didn't know at that time. I didn't know the vessel was there. I never associated it with a coup.

Q Did you ever learn the nature of the cargo of the PIA VESTA?

A Weapons.

Q Did you learn that it contained 32 East German troop carriers, large numbers of AK-47s and self-contained anti-tank rocket launchers?

A I think I did.

Q Who did you learn that from?

A I don't know. Probably in GMT, or the press. Did the press carry those stories?

Q They did in Latin America. I'm not sure how it was covered up here.

A Well, I read the Latin American press. I'm just not sure where I got it. I don't know the number was 32. That's why I thought it was consistent, you know, with going to Peru. I believe it was headed for Peru.

Q It's not the type of equipment that would be used by the contras, is it?

A No, nor for making a coup.

It would be totally useless for that.

To tell you this, to help you with your insight on it, in the armed services of Latin America -- and it's changing now as democracies come in -- each of those armed forces ends up as its own army, navy and air force. They have authorities, budgets and powers that are unknown here in the United States. We have trouble understanding that.

So it's quite possible and I believe then and I do now that the shipment was originally destined for Peru. I think that the Navy had some agenda for the use of that stuff and that the President of Peru, Alan Garcia Perez, who

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we know very well, my wife and I, opposed this, found out about it, blew the whistle on it and stopped it, and that's what set the ship like this barge of garbage that's floating around without a home, sent the ship adrift.

And at that time, a good arms dealer like Ron Martin would have then tried to find another customer or buy and that might have started the diversion.

But I really don't believe that the [redacted] armed forces was going to use any part of that ship or have anything to do with it or was going to make a coup.

I think with a fragile democracy and where there are disagreements with the course of the President -- I happen to agree with what [redacted] doing -- Debbie DeMoss would not.

I think he's on exactly the right course. I told him that when I was there. And I told the generals that everytime I saw them and the commandantes. And, eventually, he had to stand election before the people [redacted] and they would decide his fate.

Nobody in the armed forces should. But, in a country -- and I think I got this across to you before -- I have before other Congressional Committees. There's

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something we don't understand.

These armies down there have embedded in their constitutions that they're supposed to be the saviour of the constitutions.

So, when we see them making coups, we say how terrible; they are doing that constitutionally. Now, that's changing as the democracies come in and they revise the constitutions.

But what looks like a stupid, dumb power grab to us, is often in their part a very sincere we've got to go in and save the country from moving to communism, when you get a left to center president who starts to bring in things that Franklin D. Roosevelt did or Lyndon Johnson did.

Some of these hard-line conservatives, that's a mortal sin and they feel obliged to remove him.

Sometimes, as in the case of Allende in Chile, the man actually was on a path to make a Marxist-Leninst regime out of his country under the guise of democracy.

So some of these interventions have been correct. The one against Peron certainly was. That was a dictatorship of the proletariat to the right. Some of them have been very misguided. None of them should be taking

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place today.

And that was always my counsel to [redacted] and they heeded it, and I'm sure they got it from others. But they took it more from me because they know I had been wounded many times by the communists.

They knew I suffered for them and I espoused their cause of getting military assistance to fight their battles.

I helped them with tactics and strategy. They knew I was in their corner and the State Department and the White House knew that when I gave them their messages, the message was more welcome than if they sent the ambassador in.

Q You do or do not know the identity of a man named Patrice with whom Ms. Studley met?

A I never heard of him other than, you know, in the order of battle intelligence, that name comes up.

But I don't know him and don't know that Barbara Studley had any contact with him.

Q You don't know a meeting she had with Patrice in Geneva, Switzerland?

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A No, sir, I don't. That would have been in August?

Q That period of time.

A So it would be fair for her not to tell me about it.

Q Do you know of any trip that she took to Switzerland in the fall of 1986, after you came on board?

A Yes.

Q When did she go to Geneva?

A That was a very mysterious trip to Switzerland. I think there were a couple, but there was one in November where nothing would do but that I leave [redacted] to join her there. And I demurred to her great annoyance and I didn't go.

She actually ordered me to go and I could see it was ostensibly -- it may have been to culminate an arrangement that we were working with [redacted]

That transaction was not maturing and I thought it probably a waste of company money to go to Switzerland. I felt uncomfortable about going alone to meet with her in a hotel, even though it was a total professional business relationship.

I couldn't justify it in any way and I didn't want to do it.

Q When was she in Switzerland?

A At the same time I was in [redacted]

Q So that would be the first week of June?

A That would be in November. In fact, I think I got a long distance call from her importuning me to join her.

Q Do you know who else was with her on that trip to Switzerland?

A Yes. It would have removed one of my constraints about going. Graham Lowe. Let me correct an earlier record when I finish this. Graham Lowe, a South African trader who deals in things I really don't understand or know a great deal about -- commodities -- joined us in December -- January. Let's see. It would have been -- no, it would have been November. In November -- October-November -- as executive vice president, as an aside in the office, she said that Graham Lowe had been coming in and out of the office, always using her office and desk and is now a member of GMT.

And I thought it was passing strange that the executive vice president hadn't been consulted and was just told at the same time the secretaries were being told that he was a member of GMT.

I reproached her for that and never got a satisfactory explanation. She said, "I only decided it when we were in Switzerland together."

So that would have been, to fix the date -- and I'm doing this now piecemeal for you -- would have been the middle of November. And it was after she and Graham came back from Switzerland.

Had I known he was with her, as I started to say earlier, that would have removed one constraint about going to Switzerland; but it wouldn't have removed the other, that there was no business purpose for me going to Switzerland.

But she spent, she said, the whole time, night and day, working with the bankers there, and Werner Glatt, who was there.

Q Do you know what business she was conducting in Switzerland at that time?

A No. I was told it was to arrange financing and that there was some very nebulous transaction that Graham -- I never could get clear why Graham went with her.

There was no professional reason that I could see except something about a sugar deal. It never materialized or any details ever came clear.

Q Do you have any knowledge of any other trips to Switzerland she made in 1986?

A I didn't keep track of her, but she was constantly going to different places on banking trips, or saying she was going and then changing and cancelling.

So my whole recollection is that she was constantly going away on banking trips.

Q This memorandum to Colonel North that you delivered, who did you deliver it to?

A To Colonel North.

Q Himself?

A Himself.

Q Did you get any reaction from Colonel North to the memo?

A I don't think he opened it when I was there. I accompanied General Singlaub. Remember, it's the first day of the job and I was still in a great deal of pain from the surgery on my wrist.

Barbara asked me if I had any objections to going over to the White House to see Colonel North with General

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Singlaub. I went with General Singlaub. He had written out on a card an agenda and he went through the agenda point by point by point.

None of it had anything to do with shipping arms, and none of it seemed very important. In fact, I thought it was a waste of Colonel North's time.

We spent most of the time talking about Colonel North's diminished position of authority and influence within the National Security Council.

And that may be relevant to all of this because here, on the 1st of September, you have Colonel North telling me and General Singlaub in great detail how he is no longer handling these accounts and has no authority and has no ability really to change anything.

Q Could you give us your best and fullest recollection of what Colonel North told you at that meeting, which would have been about the 1st of September?

A I think I just told you.

Q You told me in general terms. Tell me what he told you he was no longer handling.

A I really can't. I think that's the best recollection I have. He deplored the way the State

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Department was handling things, the way the Central Intelligence Agency was handling things; that he was cut out of everything, the way the Pentagon was handling things. It was not a diatribe but a jeremiad of lamentation on how badly everything was going and how -- remember, the legislation had been passed by the House on the 25th of June, by the Senate -- my note here is the 13th of August.

The conference bill was in October, the thing was signed, I recall, by the President on the 30th of October and nothing was moving later in the fall, and nothing appeared to be going to move and it all seemed to be hung up.

I'd like to put on the record -- you don't particularly want it -- that I have credible knowledge that the liberal side -- the Democratic side of the House -- the people who for very good reasons opposed the aid to Nicaragua, were being fed information by the Sandinistas to slow this thing down until after the rainy season so the contras couldn't use the rainy season to get ready, and would have to use the dry season to get their logistics and their training and all that in place.

And, therefore, you'd interdict them. If that's true -- and I think that people in the Democratic side of the House, who lent their office on the floor to that, did the United States a shameful disservice, and I couldn't think of strong enough language to use to describe that kind of almost, however unconscious, treasonable activity.

Q Who else was present?

A Putting that into the record, I'll let that go.

Q Who else was present at this meeting?

A General Singlaub and nobody else.

Q Just General Singlaub and Colonel North?

A Yes. As I said, I felt we were wasting Colonel North's time. I just sat there politely because the first thing the new boss asks you to do, there was no reason.

I didn't know what General Singlaub was going to bring up. He may have rehearsed it with me by just giving me the headlines of the points, but what I can tell you -- I don't have any memory, but I'm being honest with you on it -- is that there is not one thing that General Singlaub said that Colonel North responded substantively to with a yes or a no or fed the conversation.

He just said I'm not handling any of those things any more on each point that General Singlaub brought up. I

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don't remember the points because they weren't significant points.

Q Was there any GMT business discussed?

A Negative. That's why I couldn't figure out why we were over there. I had the impression that here's somebody who wanted to be part of the political scene, just sort of participating in the Washington Post editorial page, because we weren't over there on GMT business.

Oh, he did ask -- let's see. He asked about the list, and what list this was I don't know. We'll get into this later with the CIA questions. There was, as you know, an earlier, prior contact with Mr. Casey, and your questions will lead us to that.

But there were questions about the list and what was on the list. What it said, I don't know. And the answer was I don't know, I'm just not handling any of that any more.

Q So, if that had anything to do with GMT --

A It didn't.

Q Who asked about the list?

A Singlaub.

Q And he asked that of Colonel North?

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A Of Colonel North and he got a nonresponse.

Q What was your understanding what the list referred to?

A Weapons for the contras.

Q And Colonel North said he was not handling that matter any longer?

A He wasn't handling that.

Q During the course of that --

A And, incidentally, that whole conversation would have edified all the people who are now investigating this because there was a shared series of frustrations by General Singlaub and Colonel North on the restrictions imposed in the past by the Boland Amendment.

There was not one scintilla, one scrap of word that I as an auditor to-that thing for the first time would draw from it that there was stuff moving anywhere, if you can accept that.

The conversation was how terrible it was because of all of this bad legislation passed, we haven't been able to do anything.

Now, the legislation has been lifted, June and August, but nothing is moving, and nothing is going to move,

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there's paralysis.

And the Democrats are trying to, despite the fact they passed it, Tip O'Neill and all those recriminations about what Tip was doing -- and I think he was, very shamefully working to obstruct what the Congress had just passed.

Q With regard to that discussion, was there any discussion between General Singlaub and Colonel North with regard to efforts to sell the assets of Project Democracy to the United States government?

A Yes.

Q And what were you told in that regard?

A Again, it was a nonresponse. But that was one of the things on the agenda. I'm telling you I can't remember. If we hit one and I do, I'll come up on it.

Q Do you remember the assets that were discussed between General Singlaub and Colonel North?

A Airplanes and I think infrastructure. A landing field or something like that. Now, that I thought would be a very good thing if the government would take them over rather than to go in and invent the wheel all over again.

If you had assets in place, it was better to buy

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them from the people down there than to start all over again by procuring and shipping, because I have had a lot of experience in that. And the transportation costs alone can wipe you out.

Q In that regard, was there any discussion in your presence at this meeting about an endeavor to sell the arms in the arms warehouse [redacted] to the United States government?

A That was never mentioned, I would say. Or, if it was mentioned, it was mentioned in such a way that it didn't register on me at all.

There was no connection in that conversation that showed General Singlaub had any connection with that warehouse, as I remember it. And I think there are certain things that would put me out of the chair, and that would be one of them.

Q During the course of that conversation was there any discussion of another of the assets of Project Democracy, the ship, the M.V. ERRIA?

A Never heard of the ship and no such discussion that I can recall.

And, again, I think I would have recalled that.

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Q You do not have a recollection of a discussion of a cargo of lethal goods -- Soviet bloc weapons on a ship that Colonel North was interested in selling?

A Oh, no. You know, anything like that, every bell would have rung. As I say, the conversation that took place that I was present for was all of a nature to deplore the Boland -- what started with the Boland legislation -- and the position that put the whole effort to stop and stem the tide of communism in Central America.

There was nothing that would indicate that Colonel North was involved in anything. Quite the contrary. He said he wasn't even handling the accounts. When he meant the accounts, I understood that to be intelligence and -- what would you say? The semi-operational thing of putting agents in, again, to gather intelligence.

I had no idea until the newspaper stories occurred that came out that Colonel North was doing anything of an operational nature. As I told Mr. Albright, I would be opposed to that.

Q Who did you think owned the aircraft and the landing facility and the like that were discussed at this meeting?

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A I understood from General Singlaub and from Barbara that these were private donated things that then passed title, chapter and verse, to Adolpho Calero and the contra movement.

I had no idea that they were owned and don't to this hour, that they were owned by the United States or any agency of the United States.

Q If they were in fact donated goods to the contra movement, why should or would the United States government purchase them?

A I don't know.

Q Was that discussed at all in this meeting?

A I do recall that General Singlaub advanced the idea to Colonel North that if he were paid for what he had donated to the contras, since the government was now going to take that over, and the United States government, in effect, you know, pick up the tab for that stuff, he would then use that money to help other resistance movements in Afghanistan or elsewhere.

That's my recollection of that.

Q Do you recall him representing to Colonel North what goods it was that he was planning to sell to the U.S.

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Government?

A The airplane was the only thing that I recall. In fact, when you mentioned the air strip, that wasn't mentioned and nowhere else was mentioned. Just the airplane. Just the Lady Ellen.

Q That's the only thing you recall?

A That's the only thing I recall. He said, "Assets like", you know. It was a general term, assets like the Lady Ellen and the assets then were enumerated in the conversation.

Q Did you understand that as being a mechanism that would take monies appropriated by the Congress for the assistance of the contras and turning it into money to be used by a private benefactor network for activities not approved by the Congress?

A No. What I understood would happen was that the United States government would in a totally legal way buy that equipment and then reimburse the private donors for their earlier donations.

Q And the private donors would then use that for other insurgencies that had not been authorized by the United States government?

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A I didn't reason it through that way. You recall what I described for you. I went over there with a great deal of pain and fever from the infection. I didn't know what the conversation was going to be about and I just was sort of listening to it. And I didn't reason it or analyze it, as you have just done.

I would applaud that if that were the purpose of it. But, how General Singlaub presented it didn't have any sinister or evil or illegal connotation at all. It was just reimburse the private donors so they would generate more funds.

Remember, at this time, I'm believing that everything they're doing is legal, and I don't know that it isn't legal. You're taking a very fine point of U.S. law, you know. If the Central Intelligence Agency or any other agency buys something from a private donor that saves it money, that's a good thing.

If those people then use that money to do something else, that's a fine point of law that would escape my analysis.

Q Was there mention made of assets owned by others that might be acquired in this fashion, such as assets owned

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by entities owned by General Secord?

A Oh, his name was never mentioned. And I had no idea, again, until the media stories that he was connected with it. General Singlaub never has mentioned his name to me before, during or after in any context.

Q Do you recall any other assets of interest to General Singlaub which were mentioned to Colonel North as possible items to be purchased by the United States government?

A I do not.

Q And with regard to the ERRIA and its cargo, your testimony is you had no knowledge that [redacted]

A Never heard the name of the ship.

Q [redacted]

A Never heard of this idea until now.

Q You did not know of the ERRIA, you did not know the cargo was owned by General Secord and Mr. Hakim?

A This is my first minute of even suggestion. I don't know that that's true.

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[redacted]

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[redacted]

Do you recall discussing that transaction with anyone?

A Never. But I think I have heard Barbara mention just the name of the company and I think it was in a good context. She would say Werner Glatt, and she mentioned a couple of others. And then there were other [redacted] people like Ron Martin, the Tamiami gunshot.

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Q Do you have any knowledge of an arms broker by the name of Emanuel Weigensburg operating out of Montreal, Canada?

A Never heard the name before.

Q Trading as Transworld Arms, Transworld Communications, a variety of other names.

A Never heard any of those names. Some of them I think have appeared in the media. I have seen it there, but I don't know. I never heard none of those names ever discussed in GMT.

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Q Now I'm going to turn your attention to the Central Intelligence Agency.

One of the jobs or one of the responsibilities that you had when you became Executive Vice President of GMT was to assist GMT in obtaining procurement contracts with the CIA; is that correct?

A Well, I don't think I'd put it that way. What she asked me to do was to follow up on a prior arrangement that she had or thought she had with Mr. Casey himself, which was to take a list. And this was the list that I thought we were always talking about, which she had presented to Mr. Casey at some ancient date in 1985, which Mr. Casey said, "Barbara, these are the lowest prices I have ever seen." This is Barbara relating this to me. "If you can get these weapons at these prices, that beats anything we can ever do, and we should be doing business with you, and I'll tell my people to do that; that they should contact you, if you can get weapons at these prices."

And that was what I always understood to be the famous list.

For one reason or another, in the months that passed, because I have an impression this was a 1985

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conversation, at one time I led Barbara Studley into going through her calendar with her secretary to find out when this Graham/Casey meeting took place.

Q This was a meeting with retired General Daniel O. Graham?

A Yes.

Q The meeting I know about took place in December of 1985.

A All right.

Q That doesn't mean there wasn't another meeting.

A All right. I asked her to trace -- I think there was only one. I think she met him twice. Once was at a dinner, and then that led to a private meeting with him that General Graham arranged, and at that time, and all the time that I was -- the initial months I was with GMT, I thought that GMT was on the side of the angels. An American company that could bring in bottom dollar prices and avoid the ripping off of the U.S. Government by foreign traders and brokers, and that attracted me, because it had very little money available for these causes. Very little money available, if anything was ever going to go to the contras, and you'd want to maximize the dollar value. You would want

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to procure locally rather than buy from outside wherever you could and you certainly want to get from brokers who would sell you at the bottom. And that's what I believe we were doing.

So when she asked me if I would go out to the agency and arrange this meeting, and I demurred, and after she met Ray Cline, and this would be right around the setting up of what became [redacted] after I introduced her to a meeting with Dr. Cline.

Q This would be late October?

A No. It could even have been September, because we tried to get the meeting earlier. Because of Dr. Cline's schedule and because of [redacted] we were never able to put it together. But in the context of that arrangement, she had a private meeting with him. I think it was a luncheon or a dinner meeting

Q A private meeting with Dr. Cline?

A Dr. Cline. And asked him -- I would not have recommended this -- asked him to make the interface with the agency. He made a phone call to, I think, the Director's Office, and spoke to a special assistant and that produced a phone number that I was to call, and the knowledge that

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whoever I would call would be expecting my call. I was a little uncomfortable with this, and I waited for about a couple of weeks, to Barbara's annoyance, to be sure the law -- remember we were going through all these legislative steps. I wanted to be -- not all of it was clear, because I am now out of the government and no longer getting the cable traffic and the official documents that show, and I wanted to be sure we were letter perfect in going to the agency, that there ws no conflict of interest, no impropriety; that we weren't asking to do anything. Barbara never said that you're going out there to get a contract to go get arms for the Contras, and I didn't think we were, because I knew everything was frozen. But I know or believed we had bottom dollar prices, so we were going to offer our services, and in the first meeting, which took place around the 12th of October, [redacted] said, yes, he knew who I was, and he would receive me, and out then I went, somewhere around the middle of October. I told him who we were, what we were, and he gave me certain guidelines.

He asked me, like you're doing, if I knew a series of people. Some I knew and some I didn't, and what he was leading me to was these were all terrible people,

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because they had gotten publicity.

He said, "If there is any publicity, we won't do business," and I said, "Well, I think you can count on us to do this in a discreet manner, because we don't want publicity. We have other clients, and if anybody were to learn" -- this is why this is such a painful thing to relate all this to you -- "If anybody were to know we were seeking to do business with the Central Intelligence Agency, they would not want to be a client, and hopefully, if you decide that Barbara is not guilty of anything, as I believe, that none of this will see the light of day, because it will have that effect."

We then had a long discussion on how terrible the people in the business were. He said to me, "You think you really want to be in this business?" And I said, "I don't know. If they are all despicable people, I can deal with despicable people. I have had to do that before. If you have to be partners with them, then I don't want to be partners in the business."

And he smiled and said, "Well, you make your own judgments as you go, but there are not a lot of good people in the business." And I said, "That's why we want to get into it. We think we are good people, and we believe we can do this honorably," and I explained to him we did not want to violate a single law, any law in any transaction that we didn't want to move any arms to Iran or send anything to the contras while there was any prohibitive legislation. He was nodding, approvingly, to all of my conversation, starting with the first one, whenever it took place --

Q Let me stop you. Who else was present for that first conversation?

A He and I alone. There was never anybody else there.

Q Your understanding of his position was what?

A [redacted]

Q And he met with you without anyone else present?

A Always. But I don't think that's unusual.

Q [redacted]

A Never.

Q Did he introduce you to the people who had that responsibility?

A Never. In fact, I asked why we were trying to

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negotiate this, because it was so wooden; [redacted]

And I knew all of this stuff, and we'd go over it with him over and over again, and he professed to have detailed expertise on it. He seemed to, but he could never answer my questions. So I said, [redacted] in order for me to give you the lowest possible price, I need to know exactly what the item is, because, in some cases, I could make a better recommendation, or you could get a cheaper item that will do the same or even be an improvement from a fire power capability of the weapon. Won't you please let me talk to your people who prepared this list?"

And he said, "No, I don't want you to."

So he walled me off. I tried several time. I

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said, "I don't want to interfere with the way you do your business, but I think we would get along a lot faster, if I could talk to your experts."

MR. KERR: All right.

Let me take it step by step. Let's start with the item marked December 30, 1986. That will be Exhibit 3.

(Schweitzer Deposition Exhibit 3 identified.)

BY MR. KERR:

Q Let me show you what's been marked as Exhibit 3.

This, from what you have previously told us, is the other list that you got from [redacted] and were asked to price; is that correct?

A Right. And it was probably right around the 30th of December.

Q Now, this would have been at the second or third meeting with [redacted]

A Oh, at least that.

Q Before we get to that then, I want you to take me through the meetings that preceded the meeting that you got this item.

A Well, unfortunately, I don't have my files here.

I really shouldn't even have these. I didn't know I did, but in the haste of leaving on the 20th, this came with me. It should go back to GMT. I don't want it. When I went through that careful sort of papers, you know, because you're asking different questions than Mr. Albright did, I found this, which didn't relate to his subpoena, but certainly relates to yours, so I bring it in. But there were phone calls and meetings, all of which went nowhere, you know. Nothing is happening, we're in a state of paralysis.

One time he said, much later than this, but it was descriptive of all the things he said, "We're like a ship with the sails all fitted out and there's no wind. We're just dead in the water."

And that, Mr. Kerr, described every meeting we ever had with him until January, when he called me up and asked me to come out and said, "You're not going to like what I have to say."

I said, "Fine, but I'll hear anything you have to say."

He says, "Your prices are too high."

And I said, "Well, I thought they were bottom

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dollar. I want to know if they're not, so I can go back to the supplier," who was then Werner Glatt.

Q Let's go back to the meetings with [redacted] The first meeting you place at around October 12 or thereabouts, 1986?

A The reason I gave you that date is, I called GMT this morning and told them I was under subpoena, in effect, to come here, and that I would be testifying. The only thing I wanted to get from them -- I didn't want any advice, and I didn't want to talk to Barbara, because I would be coming over here to testify. I didn't want to be coaching or any interface with her, but I did want to know what the records reflected as the date of my first meeting with [redacted] [redacted] and they didn't know. They said there was a document in there that would indicate the date of the list. That was the notional list that I took out to him to show.

Here are some of the things that we could get at some of these prices, and I date it as of six months ago or whenever.

Q Dated as of October?

A Whenever the date was. You can ask for this document, if you think it's relevant.

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MR. KERR: I have asked for it. I haven't gotten it yet.

THE WITNESS: That document, Michael Marks told me was dated the 12th of October. So I said, "Well, then, I shall assume that my meeting with [redacted] was on or about that date, on or after that date."

BY MR. KERR:

Q Now, let me make sure I understand the meeting. This meeting had been set up by way of Mr. Cline.

A Right. Who had not talked to [redacted] but had only gotten his phone number, and somebody in Mr. Casey's office had called [redacted] boss to tell him that I'd be coming out and would he receive me. This was not a new approach, but rather a follow up to Casey's, according to Barbara, stated, "I want to do business with you. We should be buying from you, not our other suppliers."

Now, months or a year -- almost a year later, or whenever, because I don't know the date of the Casey-Studley meeting.

Q With regard to the first meeting, you and [redacted] met, you told him a little bit about GMT, showed him something about prices; is that right?

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A A notional list of prices, with the date, whenever they were effective, which I imagine would be 60, 90 days, something like that.

Q And [redacted] told you what? Did he tell you your prices were competitive or what?

A He looked at them. [redacted]

Well, he didn't get back in touch with me, so I called him, you know, after a decent interval of a couple of weeks, and he invited me to come out again. And that went on for a couple of times, either by phone or in person. And finally on the 30th of December, if that date correctly reflects when he gave it to me, he gave me that list to price. We priced it, I think, in 48 hours and sent it back to him.

Q During the periods October 12 and December 30 you had a couple of meetings or telephone conversations?

A I don't have a record of them. GMT should, and they may not.

Q The only person with whom you communicated was [redacted]

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A Yes. I told you that, and please, no matter how many times you ask me, the only person I only met with at the Agency was [redacted]

Q And in terms of giving you work to price or bid on, you didn't get any of that until December 30, 1986; is that right?

A I'm giving you that as my best recollection, triggered by my dating with my pen at the top. It was a day earlier, and then I dated the day later, maybe.

Q As of December 30, 1986, what had you told [redacted] about the source of GMT's arms that it proposed to sell to the CIA?

A I said, "Barbara Studley's principal source, the one she would like to deal with, is Werner Glatt."

[redacted] then delivered himself of a lot of invidious comments about Werner Glatt.

Q Specifically, what did he say about him?

A That he had been on television, that he was sloppy, unprofessional, a lot of things that I then came to learn about. That he's indiscreet. I don't think he said he charged too much, but that, you know, he said, "I'm not sure we would want to deal with him, even if he were the low

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bidder."

And I said, "Well, let's see how it goes; he will not be our only source." I was determined -- I sense Barbara had this kind of sweetheart arrangement with Werner Glatt, and I was determined, if I was going to be her negotiator, I was going to do competitive bidding.

Q When did you first raise Glatt to [redacted] Was it in the first meeting? The second meeting?

A I would think the first meeting. Maybe it was the second.

Q Just so I understand where you are coming from, why is it that you thought the agency would be willing to deal through an intermediary to do business with Glatt rather than deal with Glatt himself?

A You see, that's the very thing I questioned myself, and I wanted to put all the cards up. I told him we didn't have no warehouses; we don't make this stuff; none of it will be procured in the United States; it will all be off-shore procurement. I knew, from my military background, that for many reasons, including good policy reasons, we prefer to supply the resistance fighters with -- the causes we are supporting with Soviet bloc stuff, and they, the

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Soviet Union and Cuba, prefer to supply it with M-16s. We'd probably save each other a lot of money, if we used our own natural source and lines of communication, something General Lee taught General Grant and the Union Army in the Civil War.

Q I'm still having difficulty. You were not planning to do this deal without some markup; is that right?

A That's correct.

Q So why would the Agency, which could deal with Glatt, be prepared to pay you a premium?

A That's why I suspected Glatt from the very beginning, because I questioned whether -- I had a question in my own mind whether this would be economically functional for the Agency or for us, you know, whether we could ever compete. And it is a question I had throughout the whole series of transactions.

Q What was true of Glatt would have been true of any supplier you relied on; is that right?

A That's correct.

Q So at all points, you would be operating with an itermediary --

A Remember, this guy does -- I'm interrupting you,

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so I will take your question first.

Q My point simply is that you-all would have been in an intermediary role with an add on to the supplier, no matter who the supplier is?

A That's correct. And I pointed this out to Barbara, and I said, "I don't see how this is ever going to get anywhere." But she assured me there were lots of people like us out there, including this fellow in Alexandria -- Sam Cummings.

Have you called him in? I think he's involved in this.

Q I know Mr. Cummings.

A Who are in precisely the same role we are. They're U.S. citizens with offices here, and they have to go off-shore to get stuff to deal with other suppliers.

[redacted] And I agree with them.

Q Did you discuss the fact it's cheaper to deal with someone without going through intermediaries?

A I brought that up, and again remember what we are dealing with. The image -- the picture that Barbara presented to me was that these foreigners who can get the stuff cheaper rip off the United States and charge millions and millions of dollars more than the items cost. But Barbara Studley was going to come in with a 5 percent markup, with emotional, one or two times, tantrums type, banging her fingernails on the table -- long artificial fingernails. "Nobody sells at 5 percent. We're going to sell at 5 percent. Nobody can possibly sell as low we are are going to sell."

I believe that.

Q Bear with me, General.

A I'm telling the truth.

Q You don't know what Glatt's markup was, did you? You don't know if it was 10 percent, 20 percent or 50 percent. You were adding 5 percent on top of that.

A I raised that point with her, but you know, what you're doing is, you're getting into why I left GMT. I was

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not dealing with a reasonable woman.

Q What I'm really trying to get at is why was it [redacted] was willing to talk to you at all?

A I do not know. In fact, my frustration, because I went out there under terrible traffic conditions. It always rained or snowed, and they used to kid me at the Agency on that, that I created dreadful rains and dreadful snowstorms. But every single time we made an appointment, one or the other would happen. And if you're at all familiar with that Tysons Corner out in Vienna, traffic coming out is worse than the traffic going in. You always arrange these appointments at the end of the day. So I caught two rush hours, and it would take me three hours to get home.

One time, three hours to get home from Tysons Corner to my home in Springfield. Sometimes because of the burden of what I brought, I would go back to the office, so I would geet four trips. And my frustration was, it seemed to me that [redacted] for whatever his reasons, was just playing us along. Whether he had been told by the front office to be nice to us, and he, as a bureaucrat in the middle, was not going to give a contract, but didn't want

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incur any wrath from on high, I don't know. But nothing ever happened. We never concluded anything, and I kept going back out there, forming a great deal of affection for [redacted] I liked him -- and forming a great deal of admiration for his tough negotiating to get the lowest possible dollar, which was my goal too.

And the point you're making is the point I kept bringing up at GMT: how can we be competitive? Well, the answer was, "We're going to force Warner Glatt down to a lower price." And I think we did. Some of the iterations with Warner Glatt, he came down quite a bit.

Q Did anybody ever suggest to you that Mr. Glatt [redacted]

A Barbara assured m[redacted] And that's incredible, you know, especially with [redacted]

Q Let me take you to the meeting on December 30. Again, it's a meeting only with you and [redacted]

A A very brief meeting. He said, "Your prices are too high." I said, "Thank you for telling me that. Let me go back."

Q You got this list on December 30?

A No. I'm sorry; I'm getting tired.

Q Yes, I understand that.

A The 30 December list [redacted] first list.

Q And you took this list and took it to be priced; is that correct?

A Right.

Q And it was to be priced by Mr. Glatt; correct?

A That was the initial one we went through. But then I went to somebody else right away too in London.

Q How was it priced to Mr. Glatt? Did someone take this to Glatt? Was it mailed? Was it on the telephone?

A I asked [redacted] -- and please don't ask me again, as you just did a minute ago, was he the only one present. Yes, he was, at all meetings. I'm beginning to think you don't believe me.

Q Just checking.

A Yes. But no matter how many times you ask me --

Q -- it's going to come out the same way.

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[redacted]

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[redacted] As a matter of fact, in the pricing on this that we got on a good deal of it, the sources [redacted] thought it was a Middle Eastern country, and that's why they were so antsy, because they dealt with the Middle East before, and I think that's why the prices were so high.

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Q Let me follow it step by step. It was mailed to Glatt for him to price?

A No. He told us we could do it by an open phone, but Barbara had a device -- an encrypting device, with Glatt having another piece of it and General Singlaub having another piece of it where like you're doing right now with your transcript, you punch in the text and the numbers; you attach it to a telephone and you hear on the phone -- you cannot speak while this is happening the room -- it just goes bzzzz.

You hear a rushing sound and the whole message goes in a burst and then it prints out at the other end when you uncouple it from your telephone and you're reading the price and any comments.

You can say good morning. There's room for words.

Q Is this a commercially available device?

A Yes. It wasn't supplied by the U.S. government, that I know of.

BY MR. ALBRIGHT:

Q Do you know the manufacturer.

A No.

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MR. ALBRIGHT: Excuse me for jumping in.

MR. KERR: No, that's all right.

BY MR. ALBRIGHT:

Q Do you know if it was TRW?

A It's a lot of sensitive stuff that passed from the office to the home.

Q Do you know if it was TRW?

A I didn't. You know, I have seen the device. I didn't look at the manufacturer. I undoubtedly did and it just left my mind.

Q Could you describe it for me?

A It's black, it's heavy, it's about three times the size of that tape recorder. It has another piece to it.

Q So I can jot it down, it would be about three times --

A It may be shaped like an L, you know, when you're decrypting, so the tape portion, there's a transmission and a reception portion. You're locking on -- you punch up what you've got and then you've got to have it in the L-shape or T-shape configuration.

Then you take it off and put a piece like this on your telephone and couple it on your telephone, and

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everybody has to be real quiet.

You put your call through and say "Here it comes." And then just a couple of seconds, a very long message and tape goes across.

Q The whole device would be about the size of a toaster oven?

A Smaller.

Q I don't want to get into a bread box discussion.

A Pretty heavy. But you could put it in an attache case and carry it because it's two pieces that make the L or the T decouple.

Q Did they ever say -- did any of them ever say where they got the device?

A If they did -- I would say they didn't.

MR. ALBRIGHT: Okay. Thank you.

THE WITNESS: But I'm sure they are commercially available.

BY MR. KERR:

Q In any event --

A Maybe they came from Mr. Glatt; maybe they came from Israel. This is the kind of secure gear you can -- there are companies in the United States that sell it.

Q Barbara Studley transmitted this material you got on December 30 to Glatt by way of this device?

A Right.

Q And then within 48 hours she got a response back from Glatt?

A Right.

Q In addition to Glatt, you went to another source; is that correct?

A That's right, in England.

Q Who else did you go to?

A You'd have to ask Michael Marks that. It was another Barbara Studley connection, but it was a young man, a former serving British Army officer, who was in a firm that was connected with the [redacted]

They gave us prices which in some cases were lower and, in most cases, were higher.

Q This transmission, how was it done?

A By telephone.

Q Open line?

A Yes. But it was easily done because they had approached Barbara Studley in London in September and given her a list and they were able to, because Michael Marks knew

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this man personally.

I told him to call from his apartment, which was neither the house nor the office, and simply reference that original list because about 90 percent of the items were on it, and the couple that weren't, going back to what [redacted] said, you could call anybody anywhere in the world and ask them for a quote on this.

Q You got the quote from the English firm also by telephone?

A It would have come back the same w y. All they would have said, "line item 5, so much; 906, so much," and then in two or three instances where there were items not on the list, where we would have given the item, we would have given it a line item number, so when it came back it would have just been the dollar amount.

[redacted]

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[redacted]

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[redacted]

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[redacted]

Q To the best of your knowledge, GNT still has a copy of that document?

A Oh, yes. We went through a number of iterations and they would have every one. But, again, how is this germane? None of this is for arms to Iran or arms to the contras.

Q We're coming to that promptly.

[redacted]

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[redacted]

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[redacted]

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[redacted]

MR. KERR: Let's mark the January 8 annotation as our next exhibit, which will be Exhibit 4.

(Schweitzer Deposition Exhibit 4 identified.)

THE WITNESS: Let me give you one between. Prior to the Johannsen meeting I went back to Werner Glatt And this is an example of that machine. That's what came back from the very bitter, angry Werner Glatt throwing a tantrum on the phone and saying he wasn't going to submit anything, but that's what he finally submitted.

BY MR. KERR:

Q And this represented somewhat reduced prices?

A Somewhat reduced prices. And I think there are some acid comments in there, aren't there? Doesn't he say --

Q He says, "Against my personal judgment in relationship to this matter, I have again contacted suppliers," et cetera, et cetera.

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A But I think somewhere down there he says, "Ridiculous." Or, "No such thing." Or something like that.

MR. KERR: Well, let's mark this Exhibit 5.

(Schweitzer Deposition Exhibit 5 identified.)

THE WITNESS: That gives us an example of the machine.

MR. KERR: That's helpful.

THE WITNESS: As far as I know, this would be a reasonably secure means of encryption; decryption, with no obligation to do it based on what [redacted] had told me. [redacted] For example, Mr. Glatt's style was to go to a public phone booth in Germany and drop in the pfennigs and then call collect to Barbara and Barbara would call him at a phone booth.

So, with that, he'd give her a time. And so with that kind of system, you have it reasonably secure because, remember, this is a first transmission.

Q Now, just to pursue it a step further, that same day, January 11, that you get this back from Mr. Glatt, contact was made with General Wilmot.

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Is that correct?

A Again, Barbara did this; I didn't.

Q And in terms of how she knew to get in touch with General Wilmot, what do you know?

A I have no idea.

Q What were you told in that regard; that she was going to get hold of General Wilmot or what?

A I think she had me talk to him on the phone and the next thing we knew, she said Mr. Johannsen was making a special trip to fly in to Washington just to see her to get our price list. I frankly didn't believe that.

[redacted]

Q Do you have any knowledge of any representations being made to either Wilmot or Johannsen that pricing was being done in conjunction with General Secord?

A Absolutely not.

Q Do you have any knowledge of Mrs. Studley bei-

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referred to General Wilmot and Mr. Johannsen by way of General Secord?

A No. You know, to the best of my knowledge and belief, based on all her statements to me, General Secord was unknown to Barbara Studley until all this happened.

She denied to me that she ever knew him or spoke with him, met him, heard about him or anything else.

Q Do you have any knowledge of either General Wilmot or Mr. Johannsen being told by Mrs. Studley that she was interested in purchasing $30 million worth of arms for the contras?

A Ask that again? The answer is no, but I would like to hear the question again.

Q Do you have any knowledge of either General Wilmot or Mr. Johannsen being told by Mrs. Studley that she was interested in purchasing $30 million worth of arms for the contras?

A No. But that may be, you know, the genesis of [redacted] statements to me circa late January that it was out on the street that Barbara Studley was going around buying arms, wanting to buy arms for the contras. I went to her on that and said "If we did this, we deserve to be cut off.

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The agency should have nothing to do with this." And she denied doing it.

Q You were at the meeting on --

A But she's so indiscreet, I don't know if that would be true or not.

Q Are you aware that Mr. Johannsen came to Ms. Studley's office on the 12th of January to meet with her on this pricing matter? Is that correct?

A I told you before. I don't know how many times we have to go over it. I was party to the second part of the meeting. I was not party to the first part.

Q You told me when we were off the record. We're back on the record now.

A Oh, I'm sorry. I thought we had that on the record.

Q With regard to the way the meeting went, Mrs. Studley wanted to handle the first part of the meeting herself?

A Right.

Q And then call you in?

A Right.

Q Mr. Johannsen was there by himself or with General

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Wilmot?

A No, by himself.

Q So the only people in the room when you were there were Studley, yourself and General Wilmot?

A Now, to give Barbara her due, she said I was supposed to be in the first part of the meeting. But I didn't understand that the way she structured it.

This man was brought in unannonced. She told me he would be coming later during the day. Didn't tell me at what time. And she took him into her office and that was her style and General Haig does the same thing. It's a one on one meeting and then you bring in the staff or the guy whose going to work the thing out for you.

So I assumed that since she knew him before and I didn't, that she wanted personal reaffirmation time or courtesy call, and I received some long distance calls that had to do with some business transactions involving airplanes, noncombat, and I was working my way through those and she asked me to please come into the office and talk to Mr. Johannsen.

So, maybe 15 or 20 minutes might have gone by, which I thought she wanted privately.

Q Was Mr. Johannsen given a price list at that meeting?

A He was given two. First he was given one without the -- the one you're holding. It was a retyped list. Then he was given one by Barbara Studley that did not show her - our private agreement, the list of prices that [redacted] said we had to beat, the lowest prices that he had.

Then, in response to his question to me, coming in late in the meeting, "Do you know what prices you have to beat?"

And I said, "Yes and it would be my intention to give you a copy."

And Barbara made a face because I didn't know she had done that and I said, "Well, Barbara, why wouldn't we want to give him a copy, because he's got to go back to London?"

He was then leaving on a plane. "We're going to go through a lot of phonecalls, possible compromise or unnecessary airing of information. Why don't we just let him know what the lowest price is, because it doesn't do any good if he comes in higher."

So, very reluctantly and very unhappily, she the

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took out from her desk the second list, the one which I had prepared the day before to give to Mr. Johannsen, whoever he was when he came, which would show it.

I didn't know she had gone through this change of signals.

Q Was that list with the prices on it actually given to Mr. Johannsen?

A Yes.

MR. KERR: Let me show you what I would like to have marked Exhibit 6.

THE WITNESS: That's not Werner Glatt's list. You understand that?

MR. KERR: Yes, I understand that. I'm going to have it marked and show it to you.

(Schweitzer Deposition Exhibit 6 identified.)

BY MR. KERR:

Q Would you look at Exhibit 6 and tell me if you have ever seen this document before?

A No, I haven't.

Q If you were to ignore the fact that it has CIA on it, would you recognize that document?

A Well, it's very similar to our list and, again,

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it was my style to number the items so you could refer to them, so it may well be that's what we gave him.

The ball looks like our ball. That this was a list that we gave Mr. Johannsen to price, and we would have-- let's see--we might have straightened out some of the garbled syntax, so it could be the list that we gave him because I'm the one who always insists on numbering the line item.

I'm going to tell you he got two lists. One had prices on it and one didn't.

Q . Did there come a time when he returned a list of prices to you all -- Mr. Johannsen?

A Not to my knowledge.

Q Do you have any idea why he did not?

A No. I thought that it might have been because of the disorderly nature, the amateurish nature of the meeting that Barbara had given him a lot of information that was erroneous, cross signals with me, without telling me, and then I go in and kind of blunder into the meeting and in response to his question tell him about, you know, we'll give you the list with the prices we have to beat.

Q Did there come a time when you provided further

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prices, too?

[redacted]

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[redacted]

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Q [redacted]

A [redacted] I knew that nothing was happening because of my own knowledge of the way the government works. I would know all the revelations, and if you remembered, they were just going off like bombs.

Each day would bring something and you would say it can't possibly get worse and the next day it would, with new revelations.

So I knew that absolutely nothing was happening, and I knew from my other contact and knowledge of the government that everything would be frozen.

And I indeed was told there were programs in the Department of Agriculture that didn't have anything remotely to do with this, that people were afraid to move forward.

Every bureaucrat in town went into a deep fox hole and built sandbags on the top. So, if there was anything innovative or creative, new or different, regardless of how necessary it was, those ideas weren't being advanced, or if they were, they were being turned back by some supervisor and put in a hold box.

Future years are only going to show us how much damage we suffered and are still suffering because of thi-

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It has tremendous significant effects on the creativity and the courage of action officers and people like that to brin forward necessary new ideas or programs.

Every conservative approach is only reinforced and, you know, the one law of government is, if you don't do anything, you can't get in trouble.

So I think, despicable as that law is, it's one that I never followed. There were a lot of papers that never went anywhere and were never written, and I had friends in the government tell me that was happening -- the Pentagon, the State Department and even in the Department of Agriculture.

[redacted]

And finally, because I still had the feeling that while we were dealing [redacted] very professionally, I wasn't

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being dealt with the same way. And there was either confusion or people were setting aside our papers.

So the last time I went out there was a master list of our very best prices that we had gotten, and I think we listed suppliers A, B and C, and that document is available at GMT. [redacted]

And then what I did was I circled with a pen the lowest price in each of those columns and I said, "At least that proves to you we were able to come in under it."

Now, remember, this means you'll have to go to different suppliers and that means that there will be shipping problems, but perhaps we can move some of it together. [redacted]

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deal with Barbara Studley.

MR. KERR: Let me show you what I would like marked as Exhibit 7.

(Schweitzer Deposition Exhibit 7 identified.)

BY MR. KERR:

Q Let me show you, General Schweitzer, what's been marked as Exhibit 7, which is a categorically organized list dated March 4, 1987, and I'd like you to take a couple of minutes to review it and tell me if you have ever seen this document before.

A (Pause.)

I think what it is, it's a review of what I did submit. It isn't exactly the way I submitted it and the date is maybe a correct date on the document within the Central Intelligence Agency, if that's where it comes from, but that's not the date of any meeting that I had with him or any presentation of any document to him.

The notes are similar. My list had more than one source. See, this one says Source A.

Q Yes. There are actually several sources. The first source is Source A and then there are other sources listed succeeding that one.

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A I think this has been retyped and that might explain why I didn't immediately recognize the other documents. It may be a retype.

All the balls are somewhat similar on these computer typewriters. These statements -- you want me to review them and comment on them?

Q Yes.

A This is true.

Q For the record, would you state what you refer to?

[redacted]

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[redacted]

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[redacted]

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[redacted]

A

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[redacted]

So I thought that was very much in the interest of the national defense. [redacted]

A I think that would have come from [redacted] Werner Glatt would have been the one who could have delivered that. I think I was asked -- I don't know whether it was in the Pentagon or [redacted] I wouldn't want to lay that on him. I think that came from elsewhere.

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[redacted]

Now you're throwing me, "Source A has also confirmed his ability to deliver [redacted] [redacted] I deny that.

Q You didn't know about that?

A I did know about that. "BFS". Barbara F. Studley recently met in England." I don't know anything at all about that.

Now, maybe I'm hallucinating, but I don't think so. I don't know anything at all about that one. I can't explain it.

Q [redacted]

A [redacted] "Source A hasn't established reliable, consistent, precision execution."

Now, that I told them.

Q You told them about Glatt as Source A?

A No, I told them that her one shipment -- you see, the first meeting I had with them -- I want to get this on the record. For two reasons, I told them about Barbara Studley's shipment.

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I wanted him to know about that, if he didn't previously.

MR. ALBRIGHT: Can we go off for two minutes?

MR. KERR: Sure.

(Recess.)

MR. KERR: Let's go back on.

THE WITNESS: The "categorically reorganized list" is not my heading for it, so it's a different document, although a lot of the footnotes are mine. I was speaking earlier to you for the record Source A as though I were Source A.

Reading the whole thing in context, I think Source A must refer to Glatt, and then that would explain [redacted] and also comes out particularly clear on page 5 where it says, "Source A has established a history of reliability, consistency and precision execution," and all those glowing words that follow.

Some of those I said would be true of us, that we could, you know, deliver within the hour and all of that. And I did tell them that if they didn't have the cash flow, if they gave us a letter of credit, we would arrange the financing and so forth.

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But it's clear from reading that that they're talking not about GMT but about Glatt, and that comes through, "Source A is completely trusted by GMT."

Q [redacted] that he was completely trusted?

A I said Barbara does, but I have a lot of trouble with him, except I told [redacted] I said, "I think I can troop lead him through this transaction in a proper way. I'm going to have to sit on him and force his prices down, but I think I can do it."

But I told him, "Barbara Studley thinks the world of him." And I think I reported to [redacted] she had been--that General Weinstein and General Soyster have recommended him to her and spoke very highly of him.

Q General Soyster is spelled S-o-y-s-t-e-r?

A Right. But the interesting thing about this --

[redacted]

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comes across the same way to me, but Barbara thinks the world of him and Soyster and Weinstein, Brigadier General, maybe Major General Soyster now, and Major General Weinstein told Barbara personally, Barbara says to me, was an outstanding guy, our most reliable supplie[redacted] these words that are now appearing in the CIA document about [redacted] words that Barbara gave to me as coming from Weinstein and Soyster.

Now the interesting thing is that all of this is 180 degrees out from all the maledictions that [redacted] is pouring on this guy's head.

Q Don't misunderstand me. This document came from GMT and went to the CIA. This is a GMT document.

A Are you sure?

Q Yes, sir.

A Well, I don't know how it got there. It's after my watch and I wouldn't say any of those things.

Q That was my next question. You did not compose that language?

A I didn't compose it and I disagree with it.

Q What knowledge, if any, do you have of --

A And I don't know how it got there.

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Q Do you have any knowledge of the role played by Ray Cline delivering this document to the Central Intelligence Agency?

A No, I don't. And I'd be ashamed of him if he did.

Q Have you ever discussed with Mr. Cline his playing such a role with the Central Intelligence Agency?

A Yes. As I now know, after or about the time of the subpoena date, I had transitions of certain accounts to Ray. He's a friend and he's taking over my account.

He said that he was not going to work for Barbara unless she paid him and that she hadn't come up with any offer of any money, and I said, "Be careful" because the last time he worked for her he went out [redacted] and it took two weeks of strenuous daily effort on my part to get him paid and I personally don't think it would have happened if I hadn't stayed on it on a daily basis.

I think it would have been deferred until after the transaction had gone through, if it ever went through and it didn't.

So I said, "I think you're wise. I think you ought to have a firm contract and money coming in."

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He did not reveal to me -- the last word I got from him, which would have been well after this date, was that he -- in fact, he told me "I've done nothing to contact anybody out there." And I accepted that as the truth, and that may be.

Q Has he ever told you that he provided this material to the Central Intelligence Agency?

A No. I remember when I left, I left the phone numbers of [redacted] and the description of how to get out there, and she may have sent Michael Marks out there with this, but I disagree strongly with this characterization of Source A as Werner Glatt.

Q Do you have any knowledge of a person by the name of Gorlitz -- G-o-r-l-i-t-z?

A Never heard the name.

Q Have you ever told Mr. Cline that the reason you severed your relationship with GMT was because of publicity and because you had been served with a subpoena by the Senate Select Committee, my committee?

A Because of what?

Q Have you ever told Mr. Cline the reason you left the employ of Ms. Studley and GMT was because of publicity

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that had been directed towards you and because you had been served a subpoena by the Senate Committee?

A No. That's an untrue statement. That's not why I left and, as a matter of fact, at that time, as we all know, the 20th of February, there was no subpoena or request or any knowledge that I was going to come over here.

Q As of March 19th, March 20, approximately?

A I thought that the Tower Commission would have called me, and probably should have, since I was an official in the NSC. And I thought, had they done so, that certainly would have led to visits here. And I also believe, if any of those journalists ever got around to writing a story about GMT, that this certainly would have led to an informal or subpoena request to come over here. which I would have been happy to comply with.

Q Were you knowledgeable after March 19th or about March 19, two days after you were deposed from Mr. Albright, that Mr. Cline was being asked by Ms. Studley and GMT to present this material to the Central Intelligence Agency?

A No. The only thing that I was told and only by Dr. Cline was that Barbara had asked him to take over my role on the account involving [redacted] and the

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Central Intelligence Agency.

And I cautioned him to be careful on that one because it was his old agency. I'm not sure what the rules are for people who retired when Dr. Cline did. The rules change.

If you retired other than the last couple of years, you had a lot more latitude than you do now. But I mentioned that and I mentioned the uncertainty of payment and, in fact, come to think of it -- let me correct it -- he brought that up.

He said, "Because I have asked her, I have told her I need a retainer, and she's been very vague about it, that I have done nothing for her." He said, "For a number of reasons, all the stories that were in the press, and I don't intend to do anything at present anyway, just on general principles and certainly not until she comes to some satisfactory terms."

And those conversations took place 1-2 April because Dr. Cline is an expert on the Philippines, so I told him that what I was going to be doing, as I had been talking to him all along about this project over there and interfacing with him on that, you know, to get his advice

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and understanding.

See, I'm in a very personally dangerous situation over there. I may well be killed or kidnapped and probably came close to the latter just in the last couple of weeks and I don't have a good feeling about doing it because I have no desire for any personal gain for myself at all.

I discussed all these concerns with Dr. Cline and he gave me five conditions that I should have, including a personal body guard, an escort from the Army, and a satisfactory contract from the company, none of which have been met, I might add.

But that's why I want you to know why I was talking to him and why I was talking to him I think right to the morning I left or the day before I left.

So I would tell you right to the 2nd of April and at no time did he tell me in any way that he had sent or taken or had any discussion.

In fact, quite the contrary. He denied -- I didn't ask him, but he proffered to me that he had not gone to the Central Intelligence Agency and didn't intend to.

Q Did he ever tell you that he had told [redacted] and company that [redacted] did not accept this

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quotation, that Mr. Cline would complain to the acting director of the Central Intelligence Agency, Gates?

A No. But your question, you know, follows from the first, so I deny the first and I clearly deny the second.

However, you're doing your job as the counsel and I'm going to help you do it because your question is a good one. It reminds me of another one. When I went out to see [redacted] -- when would this -- there was a meeting with after I left GMT which, when you asked me earlier, I had forgotten about, that's when I went out there to talk to him to tell him that I was no longer with GMT and as briefly as I could and as kindly as I could, why I had left.

And I did that very tersely, with far less detail by a hundredfold than you have been able to get out of me. At that time, I said, "Dr. Cline will be picking up my accounts."

He got up out of the chair, which he never had done, and he said, "I will not deal with Dr. Cline. I will not even talk to him." And I said, "Well, not even talk to him?" He said, "Oh, I'll say hello to him on the phone, but

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that's all."

So I went back to Dr. Cline by phone and told him that I went out to decouple myself because I felt that of all the people I was dealing with, the one I owed a debriefing with was [redacted] because I had the sense -- in fact, I think he said at one point he wouldn't be dealing with Barbara Studley, but he was willing to deal with me because of my bona fides, being in the Service and having worked in the government so long, held the clearances and had the record, some words to that effect.

So I felt I owed him a debrief to let him know, which I never did with the [redacted] that I was no longer in the picture or any of the other customers. I just left and I didn't make any more phone calls. I got a couple and I would tell the people I left.

But I felt I owed him one particularly because of the overpricing and my other concerns, and he was very vehement about not dealing with Dr. Cline, so I told Dr. Cline that and Dr. Cline said, "Well, I would never go to him anyway. I would go up on top and come in as I did before through the headquarters, you know, somebody at the

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very top."

In fact, who was the man who took Bill Casey's place?

Q Gates.

A He said, "I'll go to Gates."

And I didn't comment on that. I just left that there.

Q Did [redacted] tell you why he would not deal with Cline?

A No. And I didn't ask him and I didn't think it was proper to. In fact, I think Dr. Cline asked me. "He said that?" And, "I wonder why." And I said, "I don't know. He didn't tell me and I didn't ask. I just want you to know he said that."

And Dr. Cline said, "Well, I haven't done anything and I don't intend to anyway. Never mind what you just told me, I'm not going to anyway," and that's when he gave me because of the general situation it's clear nothing is going to happen, so it's not a useful time to go out and, secondly, "I don't have any contract or any assurance that Barbara will pay me."

So with that, I felt convinced, because you have

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to get dates from [redacted] when that last conversation took place. I told Ray immediately and I did not tell anybody at GMT what [redacted] had said about Dr. Cline.

Q With regard to Dr. Cline, do you know what Dr. Cline's position was at the time he retired from CIA

A Yes.

Q What was that, to your understanding?

A The DDO.

Q DDO?

A DDI.

Q Deputy Director of Intelligence?

A Right.

Q And he retired when?

A A long time ago. A number of years under different laws than obtain now.

Q With regard to where Dr. Cline can be found --

A I know from me, with the Army, even if the legislation were different, I would never go back to my own Service to vend a contract. I would just never do it. No power on earth could make me.

Q Where is Dr. Cline located these days? Where is his office?

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A I think it's the International Building on -- right at K and I'm going to say 18th, and he has the United States Global Strategy Council as well, and I think he's a fellow at that Center that's there, the Georgetown Center, and he even teaches at Georgetown University.

He's a very dear friend and I hope I'm not with my testimony bringing any pain or disservice.

Q Well, let me pursue some other things. Did he ever tell you that he was present the day that Ms. Studley and GeoMiliTech were served with a subpoena issued by the United States House of Represtatives?

A No. He told me when I talked to him about the transfer of the business. I think it was from him I learned she had been subpoenaed. And he said, "Even though she isn't paying me, I'm advising her anyway for free. I'm just helping her."

I said, "Very well. One of the things you might help her on that I found useful when I went to see Mr. Albright was that my subpoena said bring every paper that you own, if you read the subpoena narrowly, from the 1st of January 1981, and you would need a van to bring everything in the house from that day forward -- bank statements,

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everything that was in there."

But I said, "When I read the rest f the subpoena it said at the bottom 'in connection with this charter.' And then you read the charter, which was a separate enclosure which was all on Iran and the contras."

Since I didn't have any papers and as I testified earlier under oath I didn't know that I had that stray letter from Singlaub to Casey in my file until about 2 o'clock this afternoon, I brought nothing.

And I said to Mr. Albright and the othe interrogators -- the small man with the green tie on St. Patrick's Day --

MR. ALBRIGHT: John Saxon.

THE WITNESS: Yes. Nice guy. He asked me, "Do you have any documents you want to turn over?" And I said, "No. But if you really want me to go back and bring everything, the van, I'll go back and get everything."

He said, "No, no. If you don't have any documents that pertain to what we're investigating, you are right, you didn't have to bring them."

And when I called Bud up the following day to say if I find anything at any point in time I'll bring it in,

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and that's why I have today.

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BY MR. KERR:

Q Mr. Cline has never told you he was present at GeoMiliTech when the subpoena was served, correct?

A I am going to say no. You know, he could have. He is a very droll guy. He could have said, you know, "As fate would have it, I was there when the subpoena was served," but I don't remember him saying that.

Q Has it ever come to your attention or did you ever acquire knowledge that Dr. Cline told Michael Marks that he should tell Ms. Studley in response to the subpoena that she should say she had not been in contact with Central Intelligence Agency, that she had only been in touch with Cline, and that there was nothing but tentative matters that had gone on between the Central Intelligence Agency and GMT?

A No. If that was true, I think it would be bad advice because I was directed and instructed by Barbara Studley. Every time I went back out there, I gave her a very faithful, accurate, detailed report.

The only thing I spared her was some of [redacted] [redacted] comments about not wanting to deal with Barbara. You know, some of his concerns about people who weren't discreet or professional.

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[redacted]

Q Had it ever come to your attention that Mr. Cline had advised Ms. Studley and GeoMiliTech not to comply fully and faithfully with the subpoena?

A No, and I would be very disappointed if he said that, and I would really find it hard to believe that because Dr. Cline is an extremely honorable guy. He is a straight arrow. I just don't believe he would say that, and I did not know that he did.

Q Excuse me for asking the questions, but I have to.

A No, you have got to. This is heavy stuff.

Q Have you yourself ever advised Ms. Studley or

GeoMiliTech they should not comply fully and faithfully with the House of Representatives subpoena?

A Absolutely not. There was one document -- can we go off the record?

MR. KERR: Sure.

(Discussion off the record.)

MR. KERR: Let's go back on the record.

BY MR. KERR:

Q General, off the record you advised us of a document about which you have concern which was in the possession of GMT, and basically you told us that you considered this document to be a personal memorandum.

A Right.

Q And that you expressed to GMT the concern that it not be produced unless they were required legally to do so.

A Right, and to consult with their lawyers.

Q Apart from that document, is there anything else that you ever told Ms. Studley that she should or should not do in terms of complying with the subpoena that was issued by the House of Representatives?

A No -- yes, I did tell them something. What I told them was that as soon as I learned that they were under subpoena -- in fact, even before or after I testified, I called them up on the 17th of March and said I had been over there and I was asked questions about GMT, do not burn anything. I said even formal documents, don't destroy anything. And when any of you go over to testify, tell the truth.

Q Do you have any knowledge of activities that Ms. Studley or GMT is engaged in to support Afghan resistance?

A No.

THE WITNESS: May I ask you a question?

MR. KERR: Sure.

THE WITNESS: Did anybody at GMT tell you that? Did Barbara tell you when she was here that I advised her to withhold information?

MR. KERR: That is not our concern. We have a report that advice was given to Ms. Studley not to comply.

THE WITNESS: Not by me.

MR. KERR: That is what I am trying to find out.

THE WITNESS: I did just the opposite, and I also told MIke Timpani that is something you want to hold till later because of something Mike Timpani said to me. But I told him when he went over there to be sure and tell the

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whole truth.

He said, "Well, what about protecting the people across the street?" I don't know what "across the street" meant.

BY MR. KERR:

Q The offices of Ms. Studley were located relatively close to the White House, is that right?

A Right. But normally we said "up the street" as our parlance for the White House. And I didn't ask him what he meant by that. I said, "Michael, I don't know who you are referring to, but if it is any of the people under investigation, they are very well-represented with the best lawyers in town. They will take care of themselves. You take care of Michael Timpani. The way you do that is by telling the truth and take care of your country, and the way you do that is by telling the truth and withholding nothing."

Q When did you have this conversation with Timpani?

A 18 or 19 March at the latest.

Q And why was it that Timpani was raising this with you?

A Because he has flown missions down in Central

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America, bringing arms and other things to the contras. Not arms necessarily, but flown missions for them.

Q He had concerns he would be asked to testify?

A No. I wanted him to know. I put him in effect on report because under oath and under the subpoena I was asked to tell everything I knew, and the last question was: "Do you know anything that we weren't smart enough to ask?" And that is when I told him about Timpani.

So having done that, I wanted to give him a heads-up, and I didn't tell him what I said. I just said, "I told them I knew about you and that you have flown missions down there and you may very well be called over, and if you are, tell the truth."

Q Do you have any knowledge of a packet of information that was given to Mr. Marks by an Israeli-born arms dealer working out of Brussels, Belgium relating to U.S. residents, Parvis Lavi, L-a-v-i, of United Air Systems of Paradise Valley, Nevada, and his brother, Hooshang Lavi, L-a-v-i?

A The tendency is to say at this hour of the night, are you for real? The answer is no, and I have never heard of either of those names anywhere in the world.

Q Mr. Cline has never spoken to you about a package of documents he received relating to those people?

A Never.

Q Do you have any knowledge of an Israeli-born arms dealer working out of Brussels, Belgium connected to Ms. Studley or her son, Michael Marks?

A No. But you are raising with your line of questions the possibility that there was another operation that was taking place behind all those closed doors, and all those frequent and, to me, seemingly inexplicable trips to Switzerland and elsewhere for banking. So I have to say, would it be impossible or did I know everything, and the answer is I absolutely didn't, and it is possible something like that was going on.

But then you would have had a totally compartmentalized operation where I was just shut off, and I would kind of doubt that I would never pick up a piece or two of it.

Q In terms of the sources that you went to, that would have been Mr. Glatt, Mr. Fred Fox, is that right?

A Right. Colonel Retired Fred Fox.

Q And Colonel Fox now lives in Indiana, is that

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right?

A Indianapolis, Indiana.

Q What does he trade under? Do you know?

A Well, I think he wants to stay with arms because he is an ordnance officer.

Q What name or company does he trade under?

A I think it is ACP, and in that connection he is associated with -- you would have to ask him. Lucy -- somebody who is the multi-millionaire daughter of the guy that owns big blocks of property. If you can imagine a man who is so wealthy that he gives his daughter hotels -- and it is like Monopoly -- you get Broad Street, you get all these properties.

Q Sounds like a nice guy to know.

A She is the woman behind the Dallas Trade Center.

Q Apart from Colonel Fox, you also dealt with Loftis Johansen, correct?

A Only --

Q For one meeting?

A Only. [redacted]

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[redacted]

Q And there was also an English arms merchant you all did business with?

A That I don't know. A Richard -- he is a friend of Michael and Barbara's, and they could give you the name.

Q General, apart from these people, are there any other arms brokers or arms merchants that you dealt with during the course of your tenure with GMT?

A I called one or two people for quotes and immediately discarded them because they either weren't well enough connected or their quotes were too high or it seemed disorganized.

Q Who was the source of information for you on people from whom you could get quotes?

A Barbara Studley.

Q Anybody besides Ms. Studley?

A I would pick up names that she had. I didn't go to a single person that I didn't get from her because I knew nobody in this business. I was never in this business. I am not in it now, and I am not going to get back in it.

Q Did you ever have any conversations with General Graham about arms merchants?

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A Never. I know him very well. I had had a lot of conversations with him on a number of subjects, but never one turned on arms.

Q To what extent, to your knowledge, was General Graham involved in Ms. Studley's business operation?

A I would say not at all. I think he was a friend of hers professionally, who helped her get started in Washington without any remuneration. There certainly was no record of any remuneration in the files that I saw.

Q Did it ever come to your attention when you were with GMT that General Singlaub was given a list of 20 to 25 items by Colonel North which Colonel North asked that Ms. Studley price for him -- military items?

A I have a vague recollection that something like that might have happened, but I honestly can't say yes or no to that.

Q Do you have any knowledge of this list being --

A Wait. We started much earlier about the list. That was one of the questions, and then that list kept coming back, and I always thought it was the outgrowth of Barbara Studley showing Casey a list in his office of things that she could get very inexpensively, and Casey responding,

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"Barbara, I have never seen such low prices. We should be doing business with you."

That is Barbara's quote to me. I always thought that was the list. But when you say that, ask the question again.

Q Let me come at it another way.

Did it come to your attention in the late fall of 1986, after Colonel North lost his position with the National Security Council, that General Singlaub and Ms. Studley had met with Colonel North at the Sheraton and showed him a list of prices that they had obtained and got a reaction of concern -- in fact, Colonel North being distraught -- that these were very low prices Ms. Studley could obtain?

A Yes. That does refresh my memory. There was such a list.

Q What can you tell me about that?

A It is hard because I am pulling something out in the late fall of '86 -- or '85?

Q I was told the fall of '86, but I will take whatever you know about that.

A I know of no contacts with Colonel North, General

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Singlaub, or Ms. Studley after I came there other than the meeting that I have testified in extenso on 1 September 1986. I would disbelieve there were any subsequent meetings.

Q You don't know of any meeting at the Sheraton with Singlaub, Studley, Colonel North in the late fall of 1986?

A No. But I have a recollection that Barbara Studley -- remember, this was not for the contras; this was just for arms for resistance movements -- had a list of prices, and Barbara Studley saying what you just said, being that North was very distraught. I don't remember that that meeting took place with General Singlaub. Very distraught about the prices being so low and we are paying too much.

You know, that would have rung a bell when I was called in for Bud and would have rung a lot of bells if I had any association of that with arms for the contras.

Q One more shot. In another context, do you recall ever being told either by Ms. Studley or General Singlaub of a meeting at the Sheraton in the late fall of 1986, after Colonel North has lost his position, in which Colonel North says something to the effect that the people that he had

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been getting prices from for goods to the contras were crooks and they were out to get his President?

A No. And Ollie worked for me. I was very pained and very disbelieving. I am not sure what I believe today, but very disbelieving that he had anything to do with anything.

As a matter of fact, I still think he will be exonerated when everything is known. But I just didn't even believe then that he was involved in any of this or that it even existed. So I was quite concerned, and I offered through his lawyer and others to be somebody he could come to if he wanted to. He never came to me. He stayed out of sight, and I think that was on the advice of his lawyer, because I know that is what I would tell him and what you would tell him.

I am an amateur defense counsel, but I did it many times in the military. The first thing you tell the guy, the accused or respondent, "Don't talk about this even to your friends and family because it is going to distort your honest recollection, and I don't want you giving any versions at all. Just talk to me, and I will tell you when you talk or what to say to the investigating officer.

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Whether you say anything at all, just take your rights under Article 31 or the Fifth Amendment."

THE WITNESS: Off the record.

(Discussion off the record.)

MR. KERR: Let's go back.

BY MR. KERR:

Q You know that he met with Dr. Fontaine around Christmas Eve.

How do you know that?

A Dr. Fontaine told me.

Q What did he tell you that North told him?

A That he wasn't guilty of anything, that he didn't have any Swiss bank accounts, that he wasn't manipulating. Everything that I would believe, and Roger said he believed him. He said, "Remember, we are all colleagues on the National Security Council."

And Roger, now a journalist, wasn't doing it as a journalist. He was doing it as a friend to whom Ollie was willing to turn. He said he went through the whole thing and was absolutely convinced that Ollie hadn't done anything wrong.

I said, "Fine, I am glad to hear it."

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Q When was the last time you spoke to Colonel North?

A Probably in October, after Hasenfuss, but not since all these things began. Not since the Iran thing occurred.

So if I spoke to him at all, it would have been in October.

Q When was the last time you spoke to Ms. Studley?

A On the 20th of February. Well, no. There was one subsequent phone conversation about the 21st or 22nd of February, but it had to do with GMT and when she was going to pay me. That would have been in March.

When the end of February passed and she hadn't paid me, I called this friend, Hovey or Povey, the accountant, to ask when they were going to get around to paying me, and she said, "Barbara wants to talk to you."

She came on the phone and wanted to talk business, and I said, "Barbara, the only thing I called on was to find out why my check hasn't come. I understand you paid everybody else on the first of the month, and I am quite willing to be patient and wait if you don't have the money, but if you have the money to pay them, you should pay

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me."

And she then got very apologetic and said, "You will have your money at the end of the week, but don't cash the check." One of those things.

And at the end of the week, when it was too late to do anything, I was told at the close of business Friday I could pick up the check and, very unhappily, I went down to GMT, got the check, and this little informal scribble that said how the monies were disbursed to the different state and federal agencies, the IRS and Social Security people. And I left without really talking to anybody. I didn't want to. I thought the whole thing was disgraceful.

Q Have you ever been questioned by counsel for Ms. Studley?

A No.

Q So you have not talked to Mr. Parito or anyone in his office?

A No. I didn't know that was the counsel. Now, General Singlaub, I appreciate the relationship I have had with him. He was quite curious, and of course he is CEO and the Chairman of the Board, and I am the President, and so I report to him. So when I came back, I said, "You have done

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it to me again. I have to come back again because of my association with you, I assume, and Barbara Studley."

He said he had talked to the lawyers. He immediately called the lawyers because he has been working very closely with Barbara Studley's lawyers. Why, I don't know. She despises him and says so at the drop of a hat.

But he has a great deal of loyalty to her and a great deal of professional supportive feelings for her and has spent a great deal of time working with her lawyers -- you can ask him about that -- and advising them and talking to them.

He told me by long distance phone when I was in Manila that he talked to her lawyers and there was nothing in her testimony that would cause any questions for me. So then I assumed you were going to ask me about Yellow Fruit or, you know, some of the earlier questions that Mr Albright and his people had asked about. I was quite surprised.

Q Did you in fact ever get reports on what transpired in our interview with Ms. Studley?

A No. And I don't want it, other than the question I asked you, did she say anything about me that I would want

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to address in a more careful and studied way?

Q Has General Singlaub --

A And I made a point not to talk to anybody at GMT. I told them this morning I was going over and I was going to tell the truth, and I hope it would be supportive because at that time I felt -- I am not sure of that now because of what your line of questioning portends -- but at that time I felt she was as pure as the driven snow pertaining to Iran and any arms dealings with the contras or dealings with the Agency.

I don't have that same comfortable feeling now.

Q With regard to General Singlaub, did you ever discuss with General Singlaub what transpired in the two days we interviewed him?

A No. I asked him how ~~we~~ he felt it had come out, and he said, fine, and he was prepared to tell me more. In fact, he started to, and I said I didn't want to hear it. I said, "I may go back." And I guess because of that trial and defense work I had a pretty strong feeling that I don't want to be involved.

In fact, I suggested to Mr. Albright when I was here that you ask the witnesses -- you can't command them,

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but I suggested that you ask the witnesses that you call in not to talk to other witnesses about the matters that they were testifying. I felt 90 percent of them would comply.

I haven't talked to Dr. Cline. I wanted to very much.

Q We have now reached the last question with regard to Dr. Cline.

When was the last time you spoke with him?

A Before I went to Manila when you told me when we spoke, in my great unhappiness the way I was summoned here, that I wanted very much to talk to him about Manila, you know, what was going on over there and my concerns about what was happening both in the city, the government, and the operation of his company, because he has been a great bulwark, a good, sound, prudent, moral, legal adviser, like he has on every situation I have ever seen him.

So I would disbelieve that these reports that you have got can be laid back at his door. Certainly not at mine.

But because of wanting to respect your inquiry and not muddy the waters, you know, talk to Dr. Cline and he says or suggests something that might color it, I haven't

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gone back to my dear friend. I would like to be able to do so, but now when I do, I won't reveal any of this.

Q Did you ever tell him about your first interview with this committee -- your first deposition?

A No, other than I said it started out with an outrageous subpoena, but we quickly removed that, and I felt that Mr. Albright and his colleagues were people who were trying very sincerely to confine the investigation to a proper sphere, narrow when it should be narrow and broad when it should be broad, get to all the facts but not go through a fishing expedition or a muckraking, and I admired their professionalism and felt very comfortable with them in that I had told the truth, and the only thing that I gave to Dr. Cline was what I testified to previously, that you don't really have to bring a truckload of documents; only those documents that pertain to this thing.

But I told GMT, I said, "I would suspect you will have to bring everything, and you should. You don't destroy anything or hold anything back." That is all.

And I told Dr. Cline, and he said, "That is a good point." And he said, "I shall advise Barbara, and that is what I am advising her on, anyway."

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Q Did you ever receive direction or instruction from anyone to minimize the relationship between the Central Intelligence Agency and Ms. Studley or GMT?

[redacted]

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[redacted]

Q Again, General, bear with me.

You are not pursuing any agreement you had with anyone or telling me anything other than the whole truth of what you know about these matters?

A Oh, absolutely not, and even if I were, I would consider that a Congressional investigation would transcend any secrecy agreement with any government agency. Do you think I have a higher --

Q That is our perspective. There are those who differ with us from time to time.

A Pardon?

Q That is certainly our perspective.

A No, no. I think that is fundamental. I would disagree with any interpretations by any government officer, civil or military, that some kind of secrecy agreement would prevent you from talking in here.

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Now, it is different if you are talking classified material, and I think we have gotten into some of that -- I know we have. Your stenographer says he has a clearance. I don't have any. But I know that what we have discussed is higher than confidential; whereas, with your meeting, Bud, I would say it was properly classified at confidential.

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Q Let me just hit one other point. Have you ever had a discussion with General Singlaub about how he came to take the role he did with regard to the contras?

A Never. But I know, you know, he is a Homeric figure. Some day, somebody will write a book about him. He's fought this war since World War II.

Q Has he ever described a meeting he had with Dr. Casey and Colonel North in which his responsibilities were outlined for him by Director Casey and Colonel North?

Has he ever told you about such a meeting?

A No. To the contrary. He told me -- I think I testified to that to Mr. Albright, at least to another committee, that when he was in talking to Casey, he mentioned, because he's an inveterate -- will give you a tour of the world and all the insurgency hot spots around the world -- he had twice mentioned Nicaragua and Bill, who was a friend of mine, told him, "Jack, you say that one more time. Just mention the word Nicaragua one more time and I'm going to throw you out of this office."

When Jack told me that -- and that was in September, the day we went over to the meeting.

Q September of 1986?

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A 1 September. He was complaining that he couldn't get in to see North, that North wouldn't see him, and I think he'll tell you that under oath, and that he couldn't see Casey. Casey wouldn't see him.

And when he did go to see Casey, he couldn't mention contras or Nicaragua. And that's why I thought, this simple layman, that Casey was dutifully following the law.

Q Did you become aware in 1985 that General Singlaub hired a public relations firm for himself?

A After the fact. That's Carter-Clewes?

Q Yes. How did you become aware of that?

A Well, when I was working at GMT, they rode into town, right after the Hasenfuss thing, and we were now getting all the calls because Carter-Clewes had given them GMT's phone number.

I could have killed Carter-Clewes people. I guess it was Carter himself. Furthermore, Carter-Clewes saw this as a magnificent opportunity to put General Singlaub on a soap box and talk, and I thought this was the worst possible thing that could happen for Singlaub, for the causes he supported and for GMT.

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So I counseled no press conference or nothing. In the meantime, somebody in the Administration -- I think you asked me about that -- had put out the story that General Singlaub was behind the plane that went down.

I knew that wasn't true because he was deep in Manila, and I said that, but I called him in Manila and asked him, and that was before GMT had any relationship of consulting with the Manila operation, "Extract for gold."

I asked him straight out, I said, "Jack, did you have anything to do with that plane? You don't have to answer me if you don't want to, but don't tell me no if the reverse is true."

So he said, "Bob, I didn't have anything to do with it. I didn't even know about it. I didn't have any idea that that operation was taking place."

And I said, "Fine," and that fitted in because if I was running that thing, it wouldn't have been running in the amateurish way, and the same thing would be true of General Singlaub. We both know how to run operations like that.

So now you have a disinformation story put out by somebody in the Administration to take the heat off whom? I to this day don't know. I think I told you that, Bud. I have no idea who put the word out.

But we had to deal with that. So what I had done was I went to the White House and asked -- I knew there was a rat in the woodwork somewhere and I said, "Find out who the rat is and get him to recant the story."

The rat was identified. The rat wasn't identified to me.

THE WITNESS: Off the record.

(Discussion off the record.)

MR. KERR: Let's go back on the record.

BY MR. KERR:

Q You went to the White House about the Hasenfuss story. Did you ever reach a conclusion as to who was the source of that story?

A I thought I knew, but I didn't want to find out. I didn't press it because I didn't.

Q Can you tell me the identity of the person you thought it was?

A I would do an injustice because the person I think at least publicly would deny it, and I'm not sure, so I'd just rather say it was some high official in the U.S.

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government, not in the White House, not in the Pentagon, although some evidence points it could be somebody in the Pentagon.

All these are good friends. I didn't really want to find out. What I wanted was to get the story retracted. The arrangement we worked out with the White House National Security Council Staff people was they knew who it was and they were being kind of Delphic in giving me hints that I didn't even want. And that's why the hints would be ambiguous and misleading if I formed a conclusion now.

They said that they had identified the person, he knows who is, he's admitted he's done it, he's admitted it's wrong and it's done.

He had very good motives, I was told, but it's all wrong and he's going to fix it providing General Singlaub doesn't have a press conference until it's retracted.

I made the arrangements with all the different press officers and the Pentagon, the State Department, the White House in that there would be no General Singlaub press conference, and I told General Singlaub not to do it.

In the meantime, Carter-Clewes told him to do it

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and now Singlaub, being told by Carter-Clewes to do it, being told by me not to do it, called some -- pardon the expression -- weenie in the press system over at the White House who hadn't been aware of this very sensitive thing, becaue I was trying to protect the reputation of Mr. X so that he didn't get hurt.

If he had good motives and he made a mistake and acknowledged it as such, let him correct it. The weenie, who didn't know about this very sensitive thing, said, "No, it would probably be a good thing."

So off we went, even though I had told Carter-Clewes not to do it, that it would destroy some very sensitive things. I told them the disinformation story is going to be walked back, we can't have a press conference.

Carter-Clewes didn't want that because his fee was dependent on getting Singlaub up on a soap box and getting 250 journalists in the room, so he just rolled over me, ignored me and got Singlaub to call this guy, gave him the guy who would know the answer -- that guy in the White House and he said, yes, it probably would do some good, go ahead and tell the press.

So we were off to the races and we never got to

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the recanting, although the New York Times ran the story, knows it's a false story and promised me and so did its editor from the New York Times, they'd fix it.

So shame on the New York Times. They haven't fixed it.

Q Who is the weenie? What is his name?

A Oh, I forget his name. I don't even know. Remember now, Jack Singlaub told me this. It was some good person in the White House press office, but not the people we were dealing with at the top.

Q Who were you dealing with at the NSC?

A Richard Childress, who was just using good offices to contact Vince Cannistraro and the people over in what I'm going to call the ~~effective~~ affected agency, the source agency.

Q Who at the affected agency did you get in touch with?

A I talked to assistants, but again because I'm not sure, you know, I can't honestly tell you.

Q All I want to know is who did you talk to over there?

A Jim Michaels, and I forget the other man's name

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now, but he's the other assistant.

Q And what agency is this?

A The State Department. To Elliott Abrams, who I think is a superb Assistant Secretary of State for Latin America. Elliott denied to me that he's the one who did it, so let's leave it there.

Q Do you know the role Colonel North played in that false story?

A No. Somebody put it out.

Q With regard to Carter-Clewes, do you know when they were hired by General Singlaub?

A No. But I recommended to Jack that he get rid of them because they weren't doing him any favors. They were the marvelous people who twice got Jack on 60 Minutes, where a ~~rapporteur~~ reporter -- what is his name? The worst of the crew.

MR. ALBRIGHT: Mike Wallace?

THE WITNESS: Mike Wallace interviewed him for countless hours -- hundreds of hours of television time. You know, throwing it all in the can and got him in stuff that was so out of context, it was a lie, and that's the one thing that he did to him twice. That was Carter-Clewes.

I said, "If those are the guys setting up all

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these marvelous interviews, you don't need them," and Jack got rid of them.

BY MR. KERR:

Q With regard to Carter-Clewes, you knew, did you not, that Carter-Clewes was the public relations agency for General Singlaub throughout 1985?

A No.

Q You did not know?

A I didn't.

Q Do you know who paid the bills?

A No, I don't.

Q Did General Singlaub ever tell you who paid the bills?

A Whoever paid the bills ought to get their money back. No, he never did. I assumed it was his foundation. He always had money to call anywhere in the world and did. Long, lengthy long-distance phone calls, and I just assumed it all came out of the foundation.

Q And you do not have knowledge of any conversations that General Singlaub had with regard to Casey or North which related to Carter-Clewes; is that correct?

A No. And I think we'd be up on Mars if you ever got evidence that shows North or Casey had any connection with Carter-Clewes or was paying the bills. Then you ought to broaden your investigation rather than narrow it.

Q Have you ever had any conversation with Ms. Studley about General Singlaub's publicity?

A Yes. She had the same dim view that I did of Carter-Clewes and how stupid it was for Jack to be giving all these interviews and how counter-productive they all were. She was very upset.

Q Did she ever relate to you what he had told her about why he was holding all these interviews?

A Never. In fact, she would say, "You've told him, I've told him and he keeps doing it." She never once gave a reason and he's never given her a reason.

I admire General Singlaub's dedication to his cause. I think we all ought to have it to a different kind of degree and my own feeling is that the best way to fight communism is to co-op them with the social justice programs, make the political reforms and economic reforms, create jobs and the honest, decent society which so many of those countries like the Philippines are so bereft of and then that's the way you do it.

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Fighting communism isn't creating death squads and it isn't sending arms and guns and machine guns on to the battlefield. That's the poorest way is to kill comminists. What you want to do is a lot of these people, the MPA that I'm seeing, who may even be doing away with me before we're through, are just hungry people who feel terribly deprived and disadvantaged and indeed they are.

I'd like to make their cause mine, but not under a Marxist-Leninist banner.

Q Are there any other documents that you have that have not been produced to us?

A I would tell you no. I'll take another look. This is just a 5 January iteration. I think it's mine. 31 December. 31 December is our first readback on items, so it doesn't really give you anything at all. I would say no.

This is an outgoing message to Werner Glatt. I don't think it's really germane other than a demonstration of the system.

Q Who is Barb?

A Barbara.

Q Barbara Studley.

A Right. I don't think it does anything for the

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record. If you want it, you can have it.

MR. KERR: It might help establish the time. January 9, 1987, so I'd like to make it our next exhibit, which is 8.

(Schweitzer Deposition Exhibit 8 identified.)

MR. KERR: For the record, Deposition Exhibit 8 is a "Memo to Werner" dated January 9, 1987, from Barb. And we have identified that as Mrs. Studley.

BY MR. KERR:

Q Any other documents that you have?

A Well, this is a sample of a list that you get all over the world that I suspect came out of [redacted] An effort by somebody to get weaponry for Iran. I've gotten a number of those lists. I think I've thrown them all away or handed them back to the people who gave them to me.

I think I saved that one because with lots of crossing of the heart and there are some items in there on blank rounds and things like that that indicate that that was a bona fide list.

Q Do you know who issued this list?

A No, I don't remember. Let me take another look at it.

(Pause.)

I'm going to tell you that's a bona fide because of the items on here. Practice tracer, subcaliber tracer. It's marked [redacted] somewhere in here, I think. Yes.

I would take that as [redacted] I think it came from Graham Lowe. Did we identify him sufficiently?

Q We probably should do that.

A I think we started to. You asked me to name all the people who work for GMT. I told you Graham Lowe, a South African by birth, who came to work and then started to travel around with Barbara Studley.

I couldn't begin to describe what it was he does except he's a trader in commodities and occasionally will get a lead on something like this.

Barbara always described him as a babe in the woods, don't let him know what we're doing and, you know, anything sensitive, and I didn't.

But he knew an awful lot and he's a very fine man. A British citizen, born in South Africa, so not a South African national, who had served with his father who was a textile engineer or manufacturer all over Latin America, so he speaks fluent Portuguese, fluent Spanish, knows how the system works, which is mainly a corrupt system. I was always having to troop lead him into the way we do business here under the ethical and legal standards that, you know, he was still accustomed to doing and to accepting as part of life down there and you couldn't do here. You had to turn a lot of deals down if it meant any kind of kickback, so he did.

Q What did you plan to do with this document?

A He gave it to me, you know, as could we get this stuff and then sell it. And it ended up right toward the end, when I was leaving.

Q You could get it from whom to sell it to whom?

A Get it from whomever would supply it. If you're not a military man, the items tell you the source. If it's 19 millimeter, it's the United States; if it's 4.5 it's material that belongs to the United States.

So most of it was U.S. and I said we didn't have U.S. sources. We did our business off shore. So I said it would be an awful lot of work to get this, and I think I turned it back to him.

Here it says, [redacted] So that's

probably where it came from.

Q This was going to be sold to [redacted] by GMT?

A No.

Q Sold to whom?

A It would have come in fro[redacted] as a list of going price from [redacted] like I said, [redacted] It was presented to me by Graham, what did I think of it, not much.

But if, you know, we wanted to follow up, it's something they could take on and I left before we ever did anything further with it.

Q Who did you understand the purchaser to be?

A The purchaser would be somebody in [redacted] My suspicion when I first looked at the list was that it might be somebody trying to acquire equipment for Iran. I said, We won't touch that with a barge pole. When I looked at the list more carefully, the amount of training, ammunition and the types of stuff on here suggested to me that that was not what it was.

But, still, I felt uncomfortable with it and the real reason I felt uncomfortable beyond what I just stated, the suspicion some of it might go to Iran, was this would be another one of these kickback things.

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If the Government of [redacted] -- and all this is military ammunition -- wants to buy what essentially is U.S. ammunition from the United States, all they have to do is walk in to the Chief of the MAG group [redacted] and in a heartbeat because it's a good country -- democratic and we have a lot of interests -- it's big and we have a lot of strategic interests and a lot of programs -- in a heartbeat, the United States government would sell them at rock bottom prices, with no brokers, no intermediaries, the equipment they want or the ammunition they want at the lowest possible cost and because we've got regular runs back and forth might even waive the transportation charges by saying the airplane has got to go there anyway, we're putting it on their C-130s that come up anyway.

Whereas, when Graham Lowe through his happy friends would come in with these, it's because somebody in [redacted] was looking for a kickback. And that's how it's done.

And I don't want to lay it on [redacted] All of these countries. In fact, all of the countries throughout the world. You've got a [redacted] who tried to get in an offer. He said, "You know, who are some of the

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people who it went out to."

Graham Lowe had a [redacted] he knew calling him to see if he could take some of this articles list that he heard about maybe from Johannsen and bid on it.

I said absolutely not. But it's not against their laws and I said, "Well, it's against mine. We're not going to deal with a [redacted] who is then going to get arms that are going to go to the Central Intelligence Agency."

MR. KERR: I'd like to mark that document as Exhibit 9, if I could.

THE WITNESS: Again, I went through this with Mr. Albright. I don't want to trash [redacted]

MR. KERR: I'm not going to go to [redacted] with it. I may ask Mrs. Studley about it.

(Schweitzer Deposition Exhibit 9 identified.)

THE WITNESS: Off the record.

(Discussion off the record.)

MR. KERR: Let's go back on the record with a couple of closing questions.

BY MR. KERR:

Q At no time, I take it, General, did you ever hear from Ms. Studley or anyone else that a commitment had been made by Director Casey or Colonel North that contracts from the CIA would be let to GMT?

A No. The only way you can even tenuously do that was out of Barbara Studley's repeated recountings to me of her famous meeting, whenever -- December '85 or whenever -- that had been arranged by General Graham, "These are the lowest prices I have ever seen. We should be doing business with you. I'll send this list."

The list she submitted to him -- "down to my people and we shall be in touch with you," and then I think it was a relentless pursuit to this day to get that business.

MR. KERR: General, we are going to be deposing General Singlaub on Wednesday and I would be grateful if you would not discuss these matters with him.

THE WITNESS: I guarantee you I won't. He wanted to talk to me about it and I said, "Jack, we shouldn't do this." I said, "It's not right and I'm not going to."

He wanted to know the name of the one guy I thought that was so favorably disposed -- that would be Bud Albright -- to running a narrow inquiry as far as, you know,

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the Privacy Act and the fishing expedition.

I said, "He's a very good man and I'm very pleased with my session with him." I said, "As I am with this one with you. But I don't think it's proper for me to give you that name or to characterize anybody over there. And I don't think we should talk about this at all," and I said, "When I finish, I'm not going to be telling you anything about it, and I'd appreciate it if you didn't ask me any questions on it. I'm going to be telling the truth."

And I think he respected that. He did not tell me anything about his session.

MR. KERR: I do want to express on behalf of the committee our appreciation for your going through a very long night with us. We will make this transcript available for you to review if you'd like.

THE WITNESS: I would.

MR. KERR: But, for obvious reasons, I'd rather not have it out of the building.

THE WITNESS: I would hope that the testimony I have given you, unless it's deemed material to some investigation of charges against somebody, would not see the light of day, because I have answered all of your questions

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as cooperatively as I could and certainly as truthfully as my memory would allow me to do.

But, on those parts where it touches on personalities, the characterization of people, their business thoughts, their concepts of profit motives, I do so unwillingly because I think that should remain as private differences of opinion between me and those people and not to be shared with the American public, unless we're going to do it with every single company that's operating.

MR. KERR: Yes, I appreciate that, General, and as I say, the document is a confidential document of the committee and it will not be made available for others to look at.

THE WITNESS: Depending on how much the Washington Post knows.

MR. KERR: And that's the truth.

THE WITNESS: One of the people -- at this late hour, I cannot recall his name -- one of the most distinguished reporters called me and said, "I have been told thus and so."

I said, "Where on earth did you get that?" He said, "From the Senate Intelligence Committee, from Senator

Carey's staff told me to call you on GMT to see if you were doing something you were absolutely not doing."

I said, "It is not true, we're not doing it and it's outrageous that Senator Carey's staff would tell you, the Washington Post, to investigate. Why don't they call us over and I'll testify under oath to them?"

MR. KERR: I understand and appreciate your concern and we will do our best --

THE WITNESS: And I believe the General was told that. But this is really outrageous, that you got a Congressional staffer whose too lazy or unwilling or doesn't want to chase it, who called some Washington Post reporter that there's a lead here, why don't you run it down, then when you write a story we'll have some information and call the people.

Come on.

MR. ALBRIGHT: We hope our committee is running better than that. We try hard.

MR. KERR: And I have nothing else.

THE WITNESS: I would just like to register for the record my strong protest to the way I was asked to come over here and really I think it's a disgraceful performance of the two -- my neighbor says it was three -- people who came out and terrorized -- at least two of them -- and devastated my wife and left me with a very shattered reputation in the neighborhood, when you've got a neighbor asking my wife, "Your husband doesn't have anything to do with drugs, does he?"

I think you guys have done me an awful lot of damage and I don't know how to fix it.

MR. KERR: General, I can't imagine what caused that to happen but you certainly have our regret for any inconveniences.

THE WITNESS: I think when you tell me, as you did, that this is the nature of process servers and shouldn't be disturbed, then you guys ought to get your process servers in here and tell them because I would come in in response to a phone call.

I told Mr. Albright that I would come back and I made one or two phone calls that he was obviously too busy to receive to say how, if you think of anything further, to make sure, you know, I really meant it.

MR. KERR: So you know what happened, General, we tried to reach you and had difficulty, as you know, doing it, getting hold of your home. I did reach what I now know to be your wife. I regret I didn't know I was speaking to your wife at the time I spoke with her.

When I spoke to her the first time, she indicated you were in the Philippines and that she did not know how to reach you.

THE WITNESS: At that moment because I was up country.

MR. KERR: And, subsequently, she did call me with a telephone number which I called and could not reach you at.

THE WITNESS: In the Philippines?

MR. KERR: Yes, sir.

THE WITNESS: When I got word through somebody else over there that you were able to reach, that you had called, I called her back immediately and said, "Call them, whoever he is," because I couldn't remember whether it was one of the people who was here with Mr. Albright, "and give him the phone number."

So she gave you an accurate phone number over there.

MR. KERR: Our concern was our inability to reach

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you and what we were trying to deliver was a very short, simple letter that basically asked you to call us.

THE WITNESS: It finally arrived several days later and it was a wonderful letter.

MR. KERR: That was all that was being delivered.

THE WITNESS: Why they didn't put it in the mail box or call again to my wife and say, you know, when can you get hold of him, would you please tell him.

MR. KERR: General, bear with me. We were having difficulty reaching you by telephone and I think it's probably in large part because your wife works during the day.

THE WITNESS: That's correct. Look how late you guys work at night. You could have got her early in the morning or late at night. You could have called General Singlaub because it's on the record that I was working for him.

MR. KERR: General Singlaub has also been somewhat difficult to reach from time to time.

THE WITNESS: One of the things that bothers me is when I told him that I was coming in here, he knew you were looking for me.

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MR. ALBRIGHT: Let me make a record.

THE WITNESS: That didn't make things any better in the neighborhood, you know, to make my wife, who was seriously ill, feel any better.

To give you a little vignette as to where she comes at, on the 1st of January, New Year's Day, 1959, her uncle was the Ambassador from Cuba to Mexico City.

The Mexicans led into the chancery and the residence the Castroites. The communists who took over, ransacked the embassy and literally threw them out on the street and stole all their clothes and personal possessions.

Some of her family has been killed by Castro and her father was the Ambassador from Cuba to Holland, when France and Belgium, unilaterally declared war without instructions on Nazi Germany and she worked in the Resistance Movement in Belgium as a young schoolgirl, which attracted the attention of the Gestapo and they burned down the school and convent she was in.

So this is a woman who has seen this kind of terrorism, sort of police terrorism firsthand in her family in Cuba and in occupied Belgium.

So if she was moved by what happened out there, she has good cause to have felt the way she did.

MR. ALBRIGHT: Let me say for the record that I had no reason to doubt when you told me you would come in with a phone call or letter, and I passed that on to Chuck and I think he did make an effort to get in touch with you.

Although regrettable what has happened, I think an effort was made in good faith on our part because I did believe --

THE WITNESS: Why knock on doors and ask neighbors what did he do with the car? They began to think I ran away from my wife.

MR. ALBRIGHT: The other thing I want to make clear on the record is that no one in this room, neither Chuck nor I, went out there, nor did anyone who went out there do what was done on our instructions, other than try and serve a subpoena.

THE WITNESS: No, no, it wasn't even a subpoena.

MR. KERR: It was a letter. We were trying to deliver a letter. We should have relied on the U.S. Postal Service.

THE WITNESS: Or a phone call to her. As I explained to Bud, we are very used to hav ı: people from the government, from the Central Intelligence Agency, from the State Department, from the Pentagon come to us at all hours of the day and night, when I was on active dut , and particularly in the last three years. And cert nly when I was at the White House, knock us up as we say in Viet Nam, at odd hours of the day and night and rush out of ed and hold close conversations with you.

We had all kinds of strange people in the house when I was on active duty. The Hondurans, the Salva orans and in their turn, the Argentines to counsel them aga st making coups, to support the democratic process, so, y know, if they had just said we're on government busine from the Senate Select Committee, very important, ma'am ou break down the wires and get to your husband and tell hi he's got to call Mr. Kerr in the next 24 hours, that woul have happened.

But that message was never really delivered.

MR. KERR: All right, General. Thank you very much.

(Whereupon, at 11:05 p.m., the deposition was concluded.)

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TRANSCRIPT
OF PROCEEDINGS

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UNITED STATES SENATE HSIC 019 /87

SELECT COMMITTEE ON
SECRET MILITARY ASSISTANCE TO
IRAN AND THE NICARAGUAN OPPOSITION

CONFIDENTIAL

DEPOSITION OF ROBERT L. SCHWEITZER (Continued)

CONFIDENTIAL

4346

Partially Declassified/Released on 1-22-88
under provisions of E.O. 12356
by N. Menan, National Security Council

Washington, D. C.

Friday, May 1, 1987

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UNITED STATES SENATE

SELECT COMMITTEE ON
SECRET MILITARY ASSISTANCE TO
IRAN AND THE NICARAGUAN OPPOSITION

DEPOSITION OF ROBERT L. SCHWEITZER

Washington, D. C.
Friday, May 1, 1987

Deposition of ROBERT L. SCHWEITZER, called for further examination pursuant to agreement, at the offices of the Senate Selcet Committee, Suite 901, Hart Senate Office Building, at 10:30 a.m. before LOUIS P. WAIBEL, Court Reporter, when were present:

CHARLES KERR, ESQ.
Associate Counsel
United States Senate Select
Committee on Secret Military
Assistance to Iran and the
Nicaraguan Opposition

Partially Declassified/Released on 1-22-88
under provisions of E.O. 12356
by N. Menan, National Security Council

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PROCEEDINGS

Whereupon,

ROBERT L. SCHWEITZER

resumed the stand and, having been previously duly sworn, was examined and testified further as follows:

EXAMINATION

BY MR. KERR:

Q General, you remain under oath.

A Yes.

Q And we are just going to continue where we left off.

I have received since we last talked a variety of documents which you may be able to help me out with, and so I am going to kind of show them to you more or less in chronological sequence.

Let me begin with a letter that must have been written sometime after July 28, 1986. It was written by General Singlaub, acting on behalf of GMT, and has attached to it a price list dated July 28, 1986.

THE WITNESS: Is that the same letter I gave you?

MR. KERR: It is, except it now has the enclosure.

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THE WITNESS: And to the best of my knowledge, I have never seen the enclosure.

MR. KERR: Okay, that was my question.

(Schweitzer Deposition
Exhibit 10 identified.)

THE WITNESS: No, I have never seen that enclosure.

BY MR. KERR:

Q Do you have any further or better recollection on how this came into your possession or why it was in your possession?

A My best recollection is that General Singlaub gave that to me before I came to work for GMT. Now, he may have gotten it out of the GMT files. Remember, it had those three ACCO fastener holds at the top.

Q You are not referring to Schweitzer Exhibit 1?

A The one I turned in to you.

But to the best of my knowledge, it did not come from the GMT files into my possession, but came to me from General Singlaub. But it was before I worked for GMT and, as I told you, I still have no recollection of reading it because, had I read it, I would have had questions.

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The context of the letter puts General Singlaub, an officer, an employee of GMT, and while I knew he had a very good professional and friendly relationship with Barbara Studley based on common philosophical grounds, the relationship between General Singlaub and Barbara Studley was always described to me by both of them as I help her and she helps me.

But there wasn't any subordinate relationship within GMT. This letter suggests something different.

Q Now, there is another relationship that is suggested in the letter, which you may or may not be able to help me on. Perhaps you can figure out what was going on.

You will note in the second sentence it says:

> "The list was developed in
> conjunction with a member
> of the NSC who is knowledgeable
> of the urgent need of the
> united Nicaraguan opposition
> with which the U.S. has a
> continuing interest."

And if you flip the page and look at the list, you will see we are talking about Soviet bloc military

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hardware.

A Not all of it.

Q I understand.

A The 60 millimeter mortar Commando would not be a Soviet item.

Q Who is the manufacturer of that item?

A It is a U.S. manufacturer, to the best of my knowledge.

Q Is it carried in the U.S. inventory?

A It is a small, hand-held mortar for use in Special Operations. It is the lightest weight mortar you could have.

Q When I was in the U.S. Army, we didn't have anything like that.

A Well, when you were -- you may recall if you went through Fort Benning a demonstration where they put the 60 millimeter mortar in a steel helmet full of sand and said, if you are ever without your bipod or you are stripped down and you have to bring some fire support forward, here is the way to do it. And then you would, holding the mortar in the sand of the helmet -- you could do it in the ground, too, of course, if you had the right kind of soil -- by pulling the

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mortar or lowering it, actually get fire support.

So the Commando mortar is a mortar of that kind. It probably has a bipod that goes with it, but the idea is it is a hand-held mortar. It is very small, very light, and would be U.S. manufactured.

Q And the remaining items?

A It could come from the United Kingdom. I would have to check that, but it is a Special Forces piece of equipment, and the rest is also, except C-4, of course.

Q It could be made by anybody?

A Now, the prices here are reasonable, although [redacted] [redacted] would say he could get some of these less expensively, but these are not high prices.

When I talked to you, you questioned me on the various conversations with Colonel North, the one particularly that I was present for with General Singlaub on the 1st of September. He talked about a list. It was undoubtedly this list he was talking about, but I didn't see it, nor was there any detailed discussion on it, nor was there any implication that this list was for the contras that I can recall.

However, if there had been, I would not have been

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disturbed. There wouldn't have been any flags coming up because, remember, we are months after decision on the part of the Congress to provide aid again to the contras, and the United States had, under Congressional authorization, provided aid for the contras for a period prior to the two-year moratorium.

Q Actually, there was no Constitutional authorization for the acquisition by the American government until October of 1986?

A Right, but the Congress had expressed its will in June and August, and what you would now see happening is people leaning forward, which in itself isn't improper.

Q No.

If you look at the context of the letter, what is intriguing is that General Singlaub is basically suggesting a lending arrangement to allow the CIA to get a faster start than it might otherwise get in buying weapons.

That would have created some legal problems, General?

A Right.

But I testified to that when I presented the letter to you and I testified to our conversation on why I

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had never really looked at the letter was that General Singlaub, as I recall -- it is now further intimation to your first question, how it came into my possession -- he gave it to me with an explanation of this idea.

But I had already dismissed the idea as, in my judgment, not one that would be held legally sufficient to act on and told General Singlaub that he should write a letter when he first proposed this to me orally to Mr. Casey, the Director of the Central Intelligence Agency, and propose the idea and let their lawyers take a look at it.

And I think that is why I got the letter later, was that it was given to me General Singlaub to show that he had acted. He is a very meticulous man, as you have noticed from your contacts with him, I am sure, very attentive and careful with details. So he follows through and, since I told him -- if it was me that caused him to write the letter -- I told him to go write a letter to Casey, that I didn't think it was a good idea or was a legal idea or was legally correct, but it was certainly innovative and worth looking at to let the Central Intelligence people look at.

And then, as I told you, General Singlaub, when I asked him whatever happened to that idea of yours, he said

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"They told me that it wouldn't be legally correct and therefore couldn't be done." And General Singlaub just dropped the idea.

This was the only conversation that I can recall at this moment that he ever had with me about providing arms for the contras.

Always both the context, the detail, the connotation and also denotation was why we need to support the contras. I never had any conversation with Colonel North that would suggest there was something going on under the table or around the will of Congress. It was on why we need to turn the legislation around and why we need to start supplying aid to the contras.

If you will allow me at this point to interject something, my own belief, conviction, in light of current developments, I would deplore the death of this poor young man who was killed in Nicaragua.

On the other hand, I think it is equally deplorable that we have got 3000 Americans down there, painting their houses either symbolically or, in the case of Mr. Linder, actually, with the colors of a brutal repressive communist regime and aiding them and supporting

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them, and I would hope that when we get through investigating this situation, which does deserve investigation if wrongdoing has occurred, that people should be held accountable for it, made to account for any wrongdoing.

I would hope, though, the same six committees that desire to investigate this situation would investigate the people who are sending $100 million worth of supplies to the communist government that is exporting revolution to its neighbors and will threaten us.

It is not exaggeration to say that. They do threaten the national interests of the United States narrowly and broadly.

And would also investigate those 3000 people who are down there. I think it is the same thing. If you have people on the right providing sustenance to resistance fighters and the committee thinks that is wrong, then that should be investigated. But then you should also look at people who are of a liberal persuasion, who are so liberal that they want to support and expand a very nasty communist government in Nicaragua.

Representative Scheuer and Cardinal Obando y

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Bravo have a much different view of that government, and these are men who are liberals and ought to be listened to.

Q Let me just come back and focus on the chronology.

A If I may, it wasn't a totally irrelevant obiter-dicta here. You had asked me early on in our last meeting where I gave a deposition if I thought it was right for the people who had provided assistance to the contras to now take that money back if the United States Government, the Central Intelligence Agency or some other agency obtained those assets and used it for other resistance movements, and it is in the context of that question.

And I had not really considered that when you asked me prior to when you asked me it. My response then was I said it looked like a very fine point of law, but I think my comment in the context of the death of this poor man, this poor young man, whom I deplore because he was obviously a very sincere, idealistic guy, are appropriate because they tie back to that question.

I did not know, when you asked me, anything at all about Project Democracy, with one exception that I will explain in a moment, which I just recalled since we met. I didn't know that Project Democracy was the organization that was providing this assistance, and I still don't.

Project Democracy was not mentioned by either Colonel North or General Singlaub on the 1st of September, to the best of my knowledge.

When I responded to your questions, which you asked as appropriate leading questions, about Project Democracy, what I did was make a transposition to what was discussed, which was the buyback of that equipment that had been provided, those assets, and the name that the media subsequently had given to it.

But I had never heard General Singlaub discuss Project Democracy.

Indeed, when it came out all in the press, I told him I had never heard of that and asked him if he had, and he said, "No, I never heard of it before in my life."

In fact, I was his first source because he was in the Philippines and the news media had not caught up to him and I just told him on the telephone what was being printed and that he was, I thought, being connected with this and asked him if he was, and he said, "I never heard of it."

Now, I have testified to at least two different committees that I had never heard of it. I now remember, since I last spoke to you, in conversation with Colonel North while I was in uniform, and therefore on active duty, circa May or June of 1986, but not later than early June, in which he made a single statement to the effect, "And then" -- the only words I can recall -- "And then there is, of course, my Project Democracy," and his sentence then trailed off with a series of visible -- almost visible ellipses, and he didn't finish the thought.

I didn't ask him about it because it did not fit in with the discussion we were having.

Q What was the context?

A As I recall, all my discussions with him were on the insurgency in Central America. It was not a conversation about contras because I had steered totally clear of them during the time the legislation was in effect. What it was on very likely was on what the Sandinista government was doing to expand the revolution into Costa Rica, El Salvador, and Honduras.

In other words, it was a professional discussion that was entirely appropriate, entirely correct between the Chairman of the American Defense Board and one of the NSC staffers who was charged with responsibility.

Q But again he didn't elaborate?

A No, he didn't, and as you know, our reporter here has smiled several times throughout all of this as we come up with these acronyms and names.

The government is full of these, and we give names to all sorts of ideas and projects.

So I thought that if Colonel North was referring to a project, you know, a concept, not an organization, that would promote democracy in Central America.

I could readily recall my continuous efforts over the years to advise military juntas in Central and South America to respect all constitutional authorities, to go back to the barracks, to accelerate elections if the country did not have free elections and, once they had them, to respect the results even if they didn't like them. I would have called that Project Democracy.

So Colonel North's use of the term didn't raise any flags or bells. I didn't get the context or connotation that there was a vast or small organization out there that was disciplined, that was providing money to do anything. I just thought that it was a name perhaps that didn't even have any reality other than, you might say, an NSC staffer could call -- I have got a project for peace in the Middle East, and I would call it Middle East Peace, everything you could do that was designed to bring a just peace in the Middle East.

Q Where would this conversation have taken place?

A I don't know. I can't tell you. It could have been a social setting, you know, as most social settings in Washington are designed to get business conducted. So it could have been there.

He was a guest at my house for a couple of dinners or functions involving the Latin American officials, as were other NSC staffers and other people from the State Department and the Pentagon. That was part of my job, to ensure that you brought all these people and always tried to invite somebody from the White House, somebody from the State Department, somebody from the Pentagon, so there wouldn't be any private bilaterals.

Q Do you recall anybody else participating in this conversation?

A No. There may have been somebody else present, but I don't recall who it was and, as I say, the reference to Project Democracy did not fit what preceded. His sentence trailed off in almost visible ellipses, the four dots, and then he picked up on another idea and he didn't come back to it.

The words I remember are "And then, of course, there is my Project Democracy," and there was voice emphasis on the word "my," but it didn't fit in with any idea that there is a group of people out there that are providing arms for the contras.

I might add, if he had said that, you know, expanded on it at that point and had not dated it, that would not have caused me any great concern because we were now at a point where it was no longer illegal to do it. There was no dating of the remark or the organization, and I certainly did not know anything at all about an organization.

I had never known anything about Mr. Channell or the name before, which is not a dissimilar name, a somewhat like name to Project Democracy, the organization that he fronted for. I had never heard of him before and never heard of Channell at all.

Q Let me come back to this letter.

Your first conversation with General Singlaub, which you think resulted in this letter, would have been in the summer of 1986?

A It could not have been before that because I had no contact with General Singlaub other than seeing him somewhere in April, a very cold day, at the Tomb of the Unknown Soldier.

Q So it could have taken place in July of 1986?

A Right. June, July.

Again, my recollection is it would have preceded the letter because I told him --

Q I am just trying to figure out how much it preceded it. It could have been a matter of weeks; is that what you are telling me?

A I would think it would be, yes.

Q With regard to the price list itself, you say --

A Incidentally, the letter, if I could take a look at it, looks -- well, you can't really tell where it is written from.

Q The other copy we have --

A It could be a ball from GMT, and obviously it is because, you know, he is referring to GMT.

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Q The other copy of Exhibit 1 we have is on GMT stationery.

A The one I turned in was?

Q Yes.

A Oh, yes. It is interesting this one doesn't have.

Q This one clearly was a copy. It is a copy that came, as you may know, from records we recently obtained from Ms. Studley, so this would be the GMT file copy of this letter?

A Right. So somebody has removed that.

Q That is correct.

With regard to the list itself, your testimony is you have never seen this list, correct?

A No.

[redacted]

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[redacted]

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[redacted]

In the United States that would be unthinkable unless you had a traitor or a really scurrilous arms dealer of the lowest, sleaziest class.

There are two explanations at least. One is -- and I think it is the one I am inclined to accept -- that they are so concerned to obtain hard currency that they don't care how they get it, and part of the communist philosophy, as you know, is that the end does justify the means, and so their efforts to hard currency and gold, they would be willing to sacrifice some Soviet materiel -- helicopters are very expensively procured -- and lives of

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Soviet citizens, Soviet, patriotic young soldiers and officers who are serving their country in what they would regard as a patriotic war, at least at the beginning of their service.

I think a lot of them became very disaffected in Afghanistan. But Mr. Gorbachev realizes that, and that may be one of the reasons he may be sincere about trying to disengage from there.

The other explanation is that -- and we never explored this outline, but I certainly thought of it -- that

[redacted]

He has enormous wealth. I told you that I was informed by people at GMT who had visited his properties that he owns -- and this was not an exaggeration, apparently -- a county down in northern Virginia, and he has developed farms there to a very extraordinary degree of self-sufficiency and modern farming technology. All the fowl are on one farm, all the cattle are on another, and he moves them back and forth for grazing.

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Q Let me --

A But I am not sure -- I think that there is another aspect of Mr. Glatt that would indeed cause [redacted]

Q Let me pursue that.

During your tenure on active duty with the United States Army, did it come to your attention that Werner Glatt was a supplier of the Defense Department and, specifically, the United States Army?

A No.

He also said that I had signed off on some of his procurements. To the best of my knowledge, that is not true.

I, as the strategist and the planner, don't even recall getting into any actions of this kind. The man who can testify to that is General Odom and his predecessor and perhaps General Soyster, the Operations people, who would have coordinated it, and it is conceivable that there would have been some minor acts that would have come to me or we

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would have coordinated from a policy standpoint.

But I don't recall it, and I certainly never met Mr. Glatt before, and, quite frankly, I am dismayed at the closeness of the relationship that he has, as reported to me by Barbara Studley. So it may not be true. She has told me a lot of things that turn out not to be true, and whether she believed them or not I won't say.

But just from a factual standpoint, she related to me a great many things which just turned out to be untrue, that she knew or heard or had experience, which just wasn't the case.

That is why I didn't pay a great deal of attention to her when she would be talking about things that didn't have anything to do with the business of GMT and why my memory, when you ask me about some of these things, is not always precise or as accurate as I would like it to be in what you are going into.

But I never did any business with Mr. Glatt, never knew he existed. I recall, after I met him, that he was the man I had seen on television with an Army colonel whom I knew of and may have met, who fell into disfavor because their operation got blown, and Glatt had been approached by the television people, and I recall it was a public television documentary.

Q The Cable News Network did a shot of Werner Glatt, isn't that right? Do you remember them doing that?

A Yes, right.

Q Let me pursue that just a step further.

Do you have any knowledge of the relationship, past or present, between General Daniel O. Graham and Werner Glatt?

A No. I never knew there was a relationship. I never heard General Graham mention Mr. Glatt, and I don't recall Glatt ever mentioning Graham.

Q Ms. Studley never told you it was General Graham who introduced her to Werner Glatt?

A Not that I recall, but she may have. I am not going to say that it could not have happened. But I don't know how she did meet him.

Q To your knowledge, did Mr. Glatt ever use the alias "Klotz," K-l-o-t-z, Werner Klotz?

A No, but that would be an apt alias for him because it would describe him perfectly.

Q Did you ever discuss with General Singlaub his

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many meetings with the man that he identified to you as Werner Klotz as opposed to Werner Glatt?

A No. I never knew General Singlaub had ever met him, but in retrospect, because of what Barbara told me just shortly before I left GMT, that she had arranged meetings and conducted the travel that brought in all these parties together and made the shipment of arms of 1985 possible. I didn't know that before I went to work for her.

Her story was she had donated $100,000, and I saw the check that she had given to this cause, and that was the end of it.

It turned out she had never written the check. What she had done was paid for the dinners, paid for the meetings, conducted travel, and I did talk to -- because again so many of the things were exaggerated or untrue -- I asked General Singlaub in February, I believe, did Barbara actually contribute $100,000, and he said, "Oh, yes, it was at least that and her expenses that she incurred for that shipment."

But he never mentioned to me that he had ever met with Glatt or had any discussions. However, I would assume that if he were one of the principals at the meeting -- and

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I think likely he was -- Glatt was a supplier, that they would have met, but I haven't thought of that until this hour.

Q And with regard to the meeting you had with Colonel North on or about the 1st of September with General Singlaub --

A I would say it was the 1st of September precisely because my first day on the job I was asked by Barbara if I minded accompanying General Singlaub to see Colonel North.

Again, in retrospect, I think that the reason they wanted me to go was that I was the one who was making the appointment possible. That was not explained to me, but General Singlaub later told me he had been unable to see Colonel North for a very long period of time, and I think it was by having me go that it was the willingness to see me that Colonel North acceded to the meeting and all.

Q The only people present at the meeting were yourself, General Singlaub --

A And Colonel North. I am very sure of that. There were other people in the area, to include Fawn Hall, but the meeting took place behind closed doors in his office.

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Q In the Executive Office Building?

A In the Old Executive Office Building.

And I was intent on concluding the meeting because, as I told you before, I thought it was a waste of Colonel North's time. General Singlaub wasn't raising points that seemed to me to be useful to the work that I then knew Colonel North to be responsible for.

Q There was discussion of a list at that time, is that correct?

A That was one of the items he asked about, the list.

Q Did you actually see a list at that time?

A No. He just asked. I believe it was a five by eight or three by five card with points on it, and I noticed that because I think it is unusual for a principal to write things out like that, and I guess I thought that was probably a good thing to do.

I have never really done that unless it was a very long and complicated agenda. You know what you want to discuss and you live it, and you go in to the principal and you go over the points, and if you need a reminder you have a paper like a list and you bring that out and say, now,

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what about this list?

That is more the kind of approach that you see with the junior officer, you know, a lieutenant or captain or major who wants to be sure he doesn't miss any of the points.

And I think I may have asked General Singlaub, "Why did you have a list of points in there?" because I said something to him that caused him to tell me after the meeting that he hadn't been allowed to meet with Colonel North for almost -- I think he said -- two years. It was certainly over a year.

Q Do you remember any description of what was being done with the list, what was on the list?

A You recall my description of my physical condition at the time?

Q Yes.

A It was sort of a blur.

Q I was hoping that looking at this may refresh your recollection.

A No, it doesn't. I recall the conversation -- and I could be wrong because the events of that day for me personally -- that one of his items was what about the list, and that was a charge that Barbara had thrown out, "Don't forget to ask about the list."

General Singlaub asked about the list, just that way, "What about the list?" And the answer was, "I don't have anything to do with that any more, and that is all up with Casey and the CIA," and a series of complaints about the CIA.

Q Bear with me. Insofar as you have a recollection, I want to get a fix on it. It appears, from what we have, that this list would have been submitted to Casey at the CIA prior to the meeting.

A Well, prior to it.

Q Is it your understanding that what Singlaub was asking North is essentially, "What is the status of the list in terms of whether the CIA is going to buy from us?" Is that what he was basically asking?

A No. It wasn't raised in that context at all, and I assume that what they were talking about was the Central Intelligence Agency's interest in obtaining at the lowest possible price -- let me withdraw that -- it wasn't even a question of price or economy, and there wasn't any role for GMT that I saw at that time or perceived at that time. It was rather the needs of the various resistance movements which were being supported, I assume properly, by the Central Intelligence Agency and the United States Government, and that would not be overtly.

Q So you did not connect up this discussion of the list with the price list that GMT had submitted to the CIA?

A No, absolutely not. My participation in the meeting would have been different. I would have asked many more questions.

But it was not raised that way at all, and it was immediately dismissed by North, "You know, I don't know anything about it; I can't do anything about it" -- that kind of tone.

Q What kind of complaints, if any, did he express about the CIA at that point, that you can recall? If you don't recall, you don't recall.

A They were very critical -- that they were working with amateurs and --

Q "They" being NSC?

A No. The Central Intelligence Agency. The wrong people were handling Central America.

And I might add, since we are getting into this on what could conceivably be a record, there was some truth to that. When you dismantled the operational end of the Central Intelligence Agency under the Carter Administration and you are now --

Q Under Admiral Turner?

A Yes.

-- and you are now putting it back together, which we need to do -- please make no mistake. My bias is that you need a strong Central Intelligence Agency, and it should be comprised of two houses -- intelligence collecting and analytical capability. It should be the best of the world, and the operational capability, which should proceed always with the permission of Congress, with the over-watch committees, and with the elected -- and through the elected officials, constitutionally appointed civilian authorities. It should not become actions that are undertaken by lieutenant colonels, colonels, or generals or admiral anywhere in the world on their own. They might propose that. They very rarely do.

Incidentally, all of this does stream down on the civilian side of the house, and I think it should.

We are in a covert war. We have been in one for a number of years, at least two decades, and often we are losing that war. So to say because we don't like that kind of operation and should turn our backs on reality and not do anything about it, I think that is wrong.

But at the same time, those situations are fraught with dangers for human rights, for constitutional law, for all the things that the United States really stands for, which is the democratic system, because when you get into what has often been called dirty warfare, you or your surrogates can get involved in the dirtiness of it.

It is very, very difficult to walk that line. But I think you have to try. I don't think that you can afford yourself as a nation or an agency or an individual, if you are involved in those policy responsibilities, the luxury of saying, well, I don't want to get into this because it is going to get too nasty or too difficult. You have to face up to it and insist it be done properly.

So to go back to the point, we had gotten rid of that operational capability and now we were trying to reconstitute it, which I would argue was proper and correct on the part of this Administration or any Administration.

I don't think you will find any responsible successor Administration, even a Democratic one, who will again dismantle all of that capability.

You now have to take people who are essentially intelligence specialists and put them on the operational side of the house, and, to be sure, I felt that some of the people whom I like -- and I will avoid mentioning any names because it could be invidious -- who were assembled in the Intelligence Agency to run this task force with it, I thought were largely inexperienced in Central America. They were taken out of other assignments in Africa and the Middle East to go and work on Central America, and that bothered me because you really need to have area expertise.

Q Did Colonel North identify any particular person that he was concerned with?

A He did.

Q Who was he concerned about?

A I do not honestly recall, and that is one of the reasons I am holding back on this because I might come up with the wrong name.

Q That is fine. I appreciate that.

A The people I knew and I interfaced with, some of these people were very decent, working very long and hard

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hours. I think they made some mistakes in what they were doing down there.

If you go back and look at the history of it, there clearly were a lot of mistakes made with cherry bomb mines in the harbor. That was a terrible mistake, both tactically, morally, and from an international law standpoint. They were ineffective from a pragmatic standpoint and should never have been done.

There were other mistakes that were made. The Psychological Operations book, which incidentally has been caricatured. You really need to look at that. It is not that bad a book. What was a mistake, it was a mistake because it talked to the presumed readers as though they were college seminar students instead of people who had not finished the primary grades, which was in many cases the situation, and very young boys and not the sophisticated level that the book is pitched on.

But the book, I think, has been unfairly lampooned. On the other hand, it was a mistake. Any psychological operator in the Army who would have brought up a book like that and offered it as a manuscript, we would have removed him from his assignment and from any further

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duties with psychological operations because we would have concluded that he had not understood one thing of what we teach in the Psy Ops School, which I attended. You don't do those things. There are some things proposed in the book or held out for adoption by indigenous people.

So my only point is that Colonel North's criticisms would be in part there and in part understandable because he was suffering. He was trying to get a program together.

Never in my presence in any way was there any suggestion of an illegal program.

Q Do you recall any specific complaints he had about the CIA at the meeting you attended?

A No. I think they were general complaints. There were probably some specifics to flesh out the generics and, you know, they are doing this, for example; they are doing this or not doing that. But I don't recall what the specifics were.

Q Do you have any further recall of any other topics that were discussed at that meeting?

A No. In fact, the only ones I recall are from your questions. Oh, there was one. It was the first one asked. A million dollar bounty on a HIND helicopter. That was the first one.

Q Tell me what you recall about that.

A I recall a great deal about that because I got involved in that.

Q I'll come to how you got involved in a moment, but tell me what you recall about the conversation in September.

A Just it was very short. It was the shortest-- in fact, all of the questions that were asked got very short answers. That one, the answer was yes. "Is there still $1 million available for a HIND helicopter?"

Q And he said yes?

A He said yes.

Q Who was proposing the million dollar bounty?

A He never made that clear. I had known, and you probably do, too, because you can see them occasionally in 7/Elevens, the poster that "Soldier of Fortune" magazine put out.

Q But he said the bounty was still in effect and he still would like to see a HIND?

A Right.

Q And the intention was -- was there a programmatic discussion with North at that point about how you all might go about acquiring a HIND?

A No, not at all.

Q You did in fact ultimately become involved in at least thinking through ways a HIND could be acquired.

Is that right?

A Yes, very carefully and we can go into that when you wish.

Q I think it may make sense to do that now, so let's take a break from September and I'd like you to give me your best recollection of how you became involved in that matter and what you did.

A Well, I think I have a fairly clear recollection of that. First of all, when I left the meeting with Colonel North I didn't leave with any intention of getting involved on the recovery of a HIND helicopter from Nicaragua.

At a subsequent date in September, Dr. Ray Cline asked me to come over to assist in some translation with a man that he thought was a very valuable resource and had introduced this man to the Director personally, the Director of the Central Intelligence Agency.

Dr. Cline thought that the individual, whose name I cannot at this moment recall -- you perhaps can help me -- had extraordinary information about everything that was happening in Central America.

Q What was the person's background?

A He was a citizen of another country.

Q Spanish-speaking?

A Oh, yes.

Q Andreas Alonzo?

A No. Do you have another name that you can help me with?

Q Of course, there may be aliases, too.

A No, no. I don't believe -- there is a lawyer. It seems the lawyer was Alonzo.

Q Guy Pierson?

A Guy Pierson is the name. I forgot what his original country of birth is or was, and it may have been it was Nicaragua. But I have an idea it was from somewhere else and he had gone to Nicaragua and settled. And he had gone to school with some of the commandantes, particularly the man who headed the Air Force, and he knew others.

But, as a trader, a business man, he had entre to all these countries, and that's why Dr. Cline thought he was a remarkable resource.

So, with Dr. Cline prevailing on me to come over and assist and asking Barbara if I could do this as a favor for Dr. Cline, during, you know, our normal duty hours, she said, "Yes, absolutely. Go over there and it may be interesting. You may learn a lot of things. He's a business man and he's going to all these capitals."

I went over and talked to him.

Q To Pierson?

A Right. I found him to be utterly worthless as a source, and that was my personal evaluation -- a name dropper who would produce cards for everybody -- the son of the President of Mexico, this foreign minister, that person.

As you may know, throughout Latin America, one of the greatest things you do is exchange cards, so you can go through a receiving line and collect calling cards.

You go to any social function and collect calling cards. The possession of calling cards doesn't demonstrate to me close, personal contacts. They're useful and they may lead to something. They may suggest something, but they're not prima facie evidence that you have all this detailed knowledge.

Always at Dr. Cline's insistence, never at my own volition, I went to maybe to other meetings with --

Q Let me stop you there.

A But, on this first meeting --

Q When was it?

A It was before October 5th because there was no plane that had gone down in Honduras. I'm going to guess it was in September and I'm going to guess it was shortly after Colonel North.

This man --

Q Were you present when Pierson was present, when Cline was present? Was anybody else?

A There may have been Colonel Bill Bode, who was then working for Undersecretary Schneider, because this man claimed to have a great deal of technical data and information, and [redacted].

Q Who was the other man?

A [redacted] whom I have given you before. I asked them to join the conversation because of Dr. Cline, you know, the former DCI, very respected representation that this man was a tremendously important source and nobody was paying attention to him.

What I got from him was a diatribe on why the United States wasn't doing anything that it should be doing in Central America and should go down and overthrow all this communist regime in Nicaragua and do a lot of very positive, substantive things, all of which I disagreed with. And I told him that.

I said, That's the worst thing the United States can do. I had seen my role in the last three years working to prevent any unilateral U.S. intervention in Central America or anywhere else in Latin America.

In my judgment, it would be bad short, mid and long-term and increasingly bad as you kept going out in the more distant time periods.

And it was, you know, to waste my time, because it was a total waste of time to hear what I heard from Presidents in Latin America, from Foreign Ministers, from Defense Ministers, from heads of Armed Forces in private, U/bc

but particularly when you hear this from civilian Presidents who tell you what you need to do is come down here and invade with the 82nd Airborne Division and the 101st. [redacted] -- gave me the names of the units we should bring in, and then that same person, when he speaks to the press or the media or publicly would denounce the U.S. policy to provide support for the Salvadoran armed forces, to resist that country being taken over by communist insurgency, or to do anything with respect to the contras.

So you're getting, you know, the hypocrisy, the double standard, what they say for public consumption and not what they tell you privately.

And I think, if you get Elliott Abrams over here, that at a very high level, he and the White House people hear this all the time. They go around and they're told what you need to do is come down here and invade, but publicly they denounce every alpha to omega of the present U.S. policy, which is one short fingernail of that kind of a concept that's being urged on us privately by the Latin American leaders, very [illegible]

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Yet, the more liberal the leader as he appears to his public, the stronger the advice you get to come down there and do something decisive to get rid of these communists.

In Nicaragua, they're going to destroy us, they'll tell you.

Q Let me take you back to Pierson --

A Just to finish this point. So Guy Pierson was giving me this speech that I have heard from so many Latin American leaders and it was annoying. It was a waste of time.

So, I, with some asperity, told him he was wasting my time to tell me this, that we weren't going to do anything like that; nobody in the United States government should listen to that kind of proposal.

What you need to do, I told him, is go down and get the business community, the church community and the government officials to say to their people what you're saying here, how dangerous this insurgency is, how bad communism is, and what needs to be done is to take a strong stand by Latin American officials in the Latin American sector.

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They have to come up against it. And then I said it's possible that the United States could fall in behind and provide support, first of all, on the economic level and certain political support and, possibly, if there were ever any concerted action under the Rio Treaty that were led by the Latin Americans, then the United States, if the Rio Treaty is invoked, since they are signatory of it, could participate.

But they should have a minor role. And if we did it, I said, the way I was proposing to them, you wouldn't need a military intervention; you could do this thing with the resources that were down there. So why don't you do that?

And I said, if you go around and you travel, there's an advertisement from "Soldier of Fortune" magazine for $1 million for a HIND helicopter. Why don't you tell your friends to go produce a HIND helicopter?

Because I knew that that would be very valuable.

[redacted]

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[redacted]

It would be extremely valuable from an intelligence standpoint and would save lives in the future, unhoped for and, hopefully, defer future conflicts.

But, if they're not deferred, we should know all there is to know about the HIND because that's the bird that's going to eat us up.

So I threw that out to him and he said, "I can get that," and I was very skeptical about that. But he then followed up with a lawyer in California, whose name I have forgotten, who seemed to be even less professional and less likable than Mr. Pierson, and on Dr. Cline's importunings I got back into this on several more occasions.

And in the course of doing it, [redacted] and that they did seem -- if you could believe them -- to have the contacts that could produce a HIND, I said, "I don't want to be involved in this, but here is the information."

And I passed it on. It came to my attention that there was no plan. Now, you had this thing out. It wasn't 7-Elevens, it was all over Central America. And there was

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at least a possibility that somebody was going to get in a helicopter and fly out with it. And there were no provisions anywhere along the line to receive this helicopter, to give it any directions or to sequester it once it got in.

Our record -- [redacted]

So, aware now, as an American citizen who had the technical and professional qualifications to develop a plan, I put together with the assistance of Mike Timpani a plan that if anybody were to fly out an aircraft, which way would you go to avoid, you know, the dangers or get shot down on the way out; number two, get shot down on the way in, because the Salvadorans or the Hondurans would, if they

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didn't know it was coming and there was nothing set up -- radio frequencies, an alert provision or any contingency planning -- they would shoot down or destroy the helicopter on the ground.

Further, what do you do with the ordinance a board? You bring in a HIND helicopter with all the sophisticated ordinance it carries, where can you land it? How could you make sure the people who brought it out were properly treated?

If a defector did come out and if it were, as was suggested at one time -- this would be very sensitive information. I got it as unclassified, but it's very sensitive information. If it's true. And I was told it was true.

[redacted] and the pilot, which I don't think he could really do, but he would force the pilot to take it out, then you had to make provisions that he was properly received and if he brought his family out that they were properly received, that you didn't have people shot on the ground or mistreated on the ground.

So I developed a plan which took all of these

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things into consideration and I turned it over to the Pentagon, to the Joint Staff, the JCS -- when I say the Pentagon, the Secretary of Defense's Office of Latin American Affairs and specifically to Dr. Ikle -- I-k-l-e-- who [redacted] and other programs and

Q Who at JCS?

A I turned it in to the Joint Chiefs of Staff, to somebody there, to a Colonel in Army Intelligence who works on Central America, with the admonition, "Please get this into the system, because I don't want to be involved in this."

These contacts were in effect pushed on me. They seemed like they could produce fruit, but it should not be done by anybody in the private sector. If it's going to be done at all, it should be done with the U.S. government.

And I believe [redacted] and hand over copies or make sure that they had received copies of the entire report.

In other words, I made a memorandum of all these contacts with Mr. Pierson and this despicable lawyer who was

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going to be his partner, who immediately wanted three or four million out of patriotism. And that bothered me a great deal because I had lost an eye, the function of my lungs, a kidney and I have all kinds of orthopedic injuries that I'm really totally disabled, serving my country, and for these people who profess to be patriots and were going to do, as Mr. Pierson said, with nothing in it for me and now, all of a sudden, everybody wants a million dollars, including the lawyer in California.

I said, "I don't want to have anything to do with you if that's your concept of your wanting to serve your country, Nicaragua."

The lawyer was from Cuba, "And if this is your concept of patriotism, I don't even want to deal with people like that; even if you produced the HIND. I wouldn't want to be associated with you."

I pretty much washed my hands of it. But, in the discovery of the fact that we had this information out, whether we wanted it to be done or not, and that there was a real possibility that [redacted] might come out with the bird, or that some other pilot might bring it out, and there was no plan to receive it or no plan to tell the pilots where to fly or how to fly so that they would be below the radar coverage -- and there are places where you can do that and places where you can't, and also places where you can land for refueling, and a provision to jettison the ordinance at some point, you know, because I can't imagine coming in to El Salvador to land at any particular place where you -- or Honduras -- where you're coming in with live ordinance support, you wouldn't run the risk of being shot down.

So, one of the first things you should do is get rid of the ordinance. Then I looked into the possibility if the United States government ever wanted to support this thing of a ship that could come -- there is a private vessel that does work for the government, that has a landing deck on it, that could land the ship.

And all of this was part of the plan, which I have no copy of. I turned all this in to the various government agencies and said, "I'm out of it." I didn't want to get into it in the first place.

I heard about it because of General Singlaub's question to Ollie North. I used it really as, you know, don't give me any more sermons on how the United States should intervene; why don't you people do something.

I really used it as an example that I didn't think he was going to come up on. But Dr. Cline is an expert in this and thought that they had a real capability to bring it out.

So I'm now reporting all of this. And of course one of the people that I gave a copy of the plans to -- and all the reporting memorandum on it was Colonel North -- and I told the Pentagon and the agency that I had done this, that Colonel North had a copy of it because that was his proper responsibility.

Q How did you give it to Colonel North?

A Personally.

Q Handed?

A Yes.

Q Did you meet with him and discuss it?

A No. Well, I don't want to say I didn't, but my recollection is I met him briefly and gave him it and said, "You don't need to look at this now because it's a contingency plan."

In any case, I had no idea Colonel North was personally involved in any kind of operation. That is not my idea of the appropriate role for anybody on the NSC staff at any time in any kind of operation.

And because of that I said, "You don't need to look at this now. Put this into the system so that there is a plan. There's a lot of useful information in it. For example, if we ever had occasion, with Congressional resolutions and White House decisions, the State Department, the Pentagon, where we had to take in concert with other allies some positive action forced on us because the Sandinistas invade Honduras or Costa Rica."

I pointed out to him that the reciprocals of all these legs, these courses plotted, and the information would be useful in that context.

But that's not why I did it. I was not planning any kind of military operation. I was simply offering a way to properly receive the crew, the people defecting, so they wouldn't be mistreated, killed or the bird destroyed or given back within a couple of hours.

Q You met then with Colonel North and gave it to him where?

A In his office.

Q And was there anybody else present when you did

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so?

A No. I just handed it over to him. So those documents should be in his office unless he put them into the system. And they should be over in the Pentagon and [redacted]

They said, "We don't have anything like this and we're very grateful you did it, but we don't think --"

Now, this was the man I met with. Maybe [redacted]

Q Now, that's my next question. Who did you meet with?

A I think it was [redacted] but I'm not sure. I met with two people and I really have to search my memory on that because I wasn't interested in getting a connection.

I was interested in getting out of the business of working on this helicopter.

Q What was the position represented to be of these people that you met?

A They were part of the task force on the intelligence side and one of them may have been an operator and I suspect probably was, and it would have been

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identified to me as such.

Q Did you meet with the [redacted]

A Yes. That would have been one. And I handed it over and they told me they had already gotten it through my earlier efforts to turn this in, had received it and thought it was very professional, thanked me for it and I said, "That's the end of it."

I said, "Now, I've got great doubts on this guy Pierson and even more on this Alonzo. And anything that they would do. So I'm offering this in case anybody ever brings it out, here's a way to do it."

And they said very good, thank you. We agreed --

Q Alonzo was the California lawyer?

A He was the California lawyer, the Cuban.

Q I'm sorry. You agreed what?

A We agreed that these people were unlikely, based upon my impressions of them [redacted] that they were unlikely to produce anything.

They were unhappy that Dr. Cline had introduced

Alonzo directly to the DCI. And they'll tell you that if you bring them in on it, if it's somehow relevant.

I don't really think it is, any of this, by the way, but Dr. Cline and I did agree on one thing: that often in this business, you know, intelligence, you don't deal with very lovely people and sometimes some very unlikely people can do some very unlikely things.

The fact that this man was a trader, that he had in fact been to school there, there was no doubt about that. He had been a classmate of two or three other commandantes, knew the Air Force Chief personally and had access to the families and, in Latin America, things can be done that way that you can't do any other way at all.

People will respond through family connections that will transcend everything. The fact that he did have these contacts, which had been verified, and the connections, made it at least a possibility that he could do it.

Then, when the aircraft went down on 5 October, my only further contact was to first --

Q 5 October or 5 November?

A 5 October.

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Q Your plan was dated October 16, 1986; is that right?

A There may be various iterations of it, but the concept, you know, from 5 October on, I was telling Mr. Pierson not to do anything or to put everything on hold, and Dr. Cline agreed and I agreed to that because the aircraft went down.

Now there were policy ramifications that to have any person, even a private citizen, even appearing to be encouraging this, could be very counterproductive.

Not because the Congress would be critical but because it would hurt the interests of the United States. And my concern was always to protect the interests of the United States.

As I say, I got into this and I would not ever have proposed offering this reward. But there are antecedents to this. [redacted]

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[redacted]

Q Was it Cline that had arranged for your meeting at the CIA?

A No. I did that myself.

Q And how did you do it?

A I called.

Q Who did you call?

A [redacted]

Q And you knew [redacted]

A Well, because of my past work in the military. Remember, I had responsibility for Latin America.

Q [redacted]

A [redacted] you know, there was this effort being pushed very strongly by "Soldier of Fortune" magazine, I didn't know about any of this prior to 1 September.

I didn't know that anything like this was going on and would have opposed it if I had known.

Q When would you have called [redacted] about this matter?

A Prior to 5 October.

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Q So it was sometime in September?

A Right. It could have been early October sometime, you know. In other words, after I met and did this and got it into the system, and there were different iterations of the plan, because the more I thought about it, the more it became apparent that there were different parts that needed to be done.

For example, what about an East Coast or West Coast or Pacific or Atlantic departure? They needed to have more than one route. They could have gone south, could have gone north.

Could they take the Atlantic approach or the Pacific approach? So all of these were put together and I don't know which one you're looking at.

And, finally, refined and consolidated and turned in, but strictly at the standpoint of dropping my association.

Q [redacted]

A But, if I may ask you something, why does this

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have anything to do with Iran or arms for the contras? This is another whole thing, a whole subject entirely.

Q Essentially, what we're trying to track is the nature of what Dr. Cline was doing [redacted]

A I think Dr. Cline was totally professional and proper on this. I may be wrong.

Q I'm not suggesting --

A I want to go on record as saying under oath that I think Dr. Cline, whether he was right or not, I'm not prepared to say. And in this evaluation of Alonzo, because he's really an experienced and he told me, informed me in another context, a very sophisticated man.

Indeed he is. He's an intelligence professional of the highest order. He's written books, practiced it and he's achieved some really great feats in intelligence and operations for the United States over 40 years.

So, for Dr. Cline to think this was worthy and interesting, and I think it was his suggestion to me that there's no plan -- immediate plan to get this out -- that caused me to sit down and start putting something together.

And then I turned it in and when I turned it in,

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I said, "I wash my hands of this. I don't want to be involved in this in any way. I don't want my company to be involved in it."

And we never were.

Q Timingwise, however, you have a recollection of submitting more than one version of the plan?

A Yes, because he refined it and made it better. Then, after the plane went down, I met with [redacted] and we both agreed any further pursuit of this could be very dangerous, you know, in the sense it could actually do harm.

Further, [redacted]

Q Do you remember who was there?

A Probably the same people or maybe just one person at that time.

Q And who set up the meeting?

A I would have done it.

Q [redacted]

A Well, somebody in his office. I never met with him because I always said, you know, this is a peripheral thing. It's a contingency plan. It's not something you're going to do.

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In fact, when I turned it in -- and I want this on the record -- I didn't put it in with a recommendation that we pursue it. I said that if anybody in the United States government thinks it's worth pursuing, here are the contacts and here is a way to do it. I don't want to be involved in it.

And it shouldn't be done unless there is government involvement. See, this time I didn't know that there were private sources and organizations or activities going on, and I really deplored the idea that "Soldier of Fortune" magazine would put out a reward like this because you could stimulate somebody to doing it without the government being involved to receive the bird.

Q [redacted]

A Yes. Now we're processing water back and forth from the mill. I told them that I didn't think they were very good people, that Dr. Cline did, but my own evaluation would be that they weren't the right kind of people to be dealing with [redacted]

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[redacted] And I shared that view with them. That's not what should have happened. But the guy was a lightweight as he appeared to me, but there, again, you have to defer to Dr. Cline's judgment.

Q [redacted]

A Yes, that's true.

Q Do you remember who was telling you these things?

A Can you help me? Lead me?

Q Were you told of [redacted] [redacted] by either Pierson or Alonzo in connection with this proposal to remove the HIND helicopter?

A A general?

Q A wealthy [redacted]

A Right.

Q What were you told about [redacted]

A I don't remember except I told him not to deal with him because in Miami and because the more people that knew about this and the more machinations, the less likely it was to succeed.

What Mr. Alonzo had said to me was that he had a personal connection with the man who was going to bring out the helicopter and he would go down there as a trader and tell him, you know, how to get it out and where to go with it and assured him -- see, this is a family connection now, somebody who is closely tied with the family, and Alonzo said he was related to this man on his wife's side and could assure him that the million dollars would be paid.

The problem was, according to Alonzo, after he looked into all of this, was that, yes, everybody knew about this, but nobody believed it, and that's what I learned, too.

Everybody in Nicaragua knew about the posters and award but nobody believed it was for real. That it was just, you know, a Psy-OPS ploy on the part of the Americans to stir up discussion and trouble in the Sandinista Air Force, but nobody would really be paid a million dollars.

So, if you were going to get the plane, you had to convince whoever was going to bring it out -- the aircraft out -- that there really was a million dollars and it really would be paid provided the aircraft was safely delivered.

If it got shot down or was destroyed on the ground, then we wouldn't pay for it, or crashed when you landed.

Q Was a Miami business man by the name of Tomas Borga ever mentioned to you?

A I don't recall that name. But I told him, you know, "You proposed that you were going to do this and you shouldn't involve a whole lot of other people in it."

Q And as you understand it, there was never any suggestion this was a GMT project?

A No, of course not. What I did on this, I did on my own time. However, the typing was done at GMT of the plan with Barbara's permission. And I can tell you for the record that she did not look on this as a way to win favor with the CIA.

Q I have another document to give you, General. You recollect when we spoke last time, we looked at what was Exhibit 2, which was two pages of what I now know to be a more extensive document.

A Yes, I told you it was. I just didn't have the rest of it. These were the two pages I submitted, and I'll continue to look for the others.

Q I think I have located them. Do you know how this document and its more expansive version got into the possession of Colonel North?

A I didn't know that it did.

Q So you don't know how it got there?

A No. That's the first I've known it went to Colonel North. All I knew is that it was Barbara's idea, which I did not believe, that she in her own development of the idea had asked me to look at and, as far as I knew, the document didn't have any circulation outside of me, and I didn't do anything with it because I didn't think it was a good idea.

It certainly wasn't a workable idea, not by a company, and I don't think it would be in the interest, as I testified before, of the United States to propose such a thing.

Q Let me show you what I believe to be the entire memorandum.

A I have seen the entire memorandum before.

MR. KERR: It has Senate numbers N, as in Nicholas, 5118 through N-5521. It was obtained from the files of Colonel North at the National Security Council.

I'd like it to be marked Exhibit 11.

(Schweitzer Deposition Exhibit 11 identified.)

BY MR. KERR:

Q Would you look at Exhibit 11 and tell me if you have seen this document before?

A This is the document.

Q And this would appear to be the document in its entirety?

A Yes. It was about four pages. That's what you have here.

Q If you look at the objective problem and proposed aspects of the first page, I'd like to explore this document a bit further with you.

As I read it, the perceptive of the objective problem and proposal, the proposal appears to be quite candidly designed to permit support of covert wars outside of what is characterized as an increasingly predictable and uncooperative Congress.

A Yes.

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Q Okay. Did you discuss with Mrs. Studley her proposal to set up a way of conducting American foreign policy de hors the United States Congress?

A What I told her was that the document -- the proposal was exactly that, it was a foreign policy proposal and it was not the proper role of a private company to be involved in and that the idea really was not a very good idea because it wasn't workable.

Q Did you ever discuss this proposal with General Singlaub?

A No.

Q Do you have any knowledge of his knowledge of this proposal?

A No. But he, as I told you when I testified before to you, he expressed this concept before in a much vaguer, more general way to me, and I had not recalled that when I earlier talked to Mr. Albright.

I didn't think it was a good idea when General Singlaub proposed it and we, therefore, didn't have a discussion on it. I never had a real discussion with Barbara because I thought it was a paper she had given me that had no other circulation and it, therefore, died with

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me.

She asked me once or twice if I had the paper and if I had done anything on it and I responded affirmatively to the former, negatively to the latter and, you know, would give it as tactfully as I could because she was obviously very proud of this idea, but it was a bad idea.

I didn't have a confrontation with her over the paper. I don't like anything at all about it.

Q The reason I'm curious about one aspect of it is that, again, you recall it makes reference to using the [redacted] as a conduit for part of this transaction.

A Right.

Q General Singlaub has traditionally been somewhat concerned about assisting [redacted] Do you have any knowledge of how he would have reacted to a proposal that would suggest upgrading the armaments of the [redacted]

A This would be one of my own concerns, too, you know, to get in bed with [redacted] which is a communist regime, to support insurgencies -- which they are doing -- against communist regimes for monetary gain.

There's something that's just so distasteful to this for me. First of all, why do you want to bring money to [redacted] and why do you want to join them in one of the most charitable interpretations of what they would be doing would be hypocrisy.

Q And, again, you have no knowledge of how this document got into Colonel North's possession?

A No.

Q What he did with it?

A No.

Q Who he discussed it with?

A No.

Q And Mrs. Studley never told you anything about it?

A No. She never told me she gave it to him nor that it was in his possession through any means. She was very proud of the document and of the idea and she told me she had discussed it with General Haig, and that General Haig, according to her, said it was brilliant.

I doubt if General Haig said that to her. And if he did, did it in a kind way. Now, in Barbara's defense on

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this point, what she's proposing here is not that anything be done surreptitiously, but it be done as a conscious part of U.S. policy, and the way I would read what she's saying here with each passing year, Congress has been uncooperative, that has to do with the funding.

I think you will have to agree, whether you want to on the record or not, that Congress' sad legacy, particularly with respect to Latin America, is that the rhetoric has always outstripped their behavior.

In fact, the rhetoric of what we are going to do starting with the Alliance for Progress with each President has been outrageous. We have never done one fraction of what we said we were going to do, and this is the real source of so much of the antipathy, hatred and anti-U.S. feelings that exist down in Latin America.

We promised them everything and we've done almost nothing for them. What Barbara I think is saying here is that the United States government, not in a clandestine way at all, would adopt this as a policy and overcome the Congressional unwillingness to fund foreign military assistance by making a business out of it.

Q Let me address you to item number 4, paragraph 3,

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where it says, "The United States then has at its disposal a large and continuous supply of [redacted] technology and weapons to channel to the Freedom Fighters worldwide mandating neither the consent or awareness of the Department of State or Congress."

A That's a bad part of the paper and that's why I never associated myself. I never showed this to anybody. I never advanced this idea to anybody and I threw cold water on it and did nothing with it in GMT. It never became an active program of GMT and I'm probably responsible for that.

I'm sure to Barbara's dismay.

Q You had no further or additional knowledge about this proposal or attempts to implement it or anything else?

A No. I would say it's never meant to be implemented. It's nonimplementable, to use a Haigism.

Q Well, with regard to what General Secord and Mr. Hakim were doing, which may have resulted in a situation where millions of dollars were kept in such a way that they could be used to support various insurgencies, do you know of any relationship between Mrs. Studley's proposal here and what General Secord and Albert Hakim were in fact doing?

A No, I do not. But if the paper got circulation

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within the White House, then it could provide the intellectual basis or the theory for what was being done. That's why I don't believe it's Barbara's paper.

I don't think she has -- and I mean her no disrespect, but I don't think she has the background to formulate a complex international relations proposal like this.

As I told you before, this would take a State Department to implement and would take an interagency arena -- the State Department couldn't do it alone.

You know, there are at least four or five agencies that would have to be involved in this besides the obvious ones: the Pentagon, the White House and the Central Intelligence Agency.

You would need the State; you would need Treasury; you would need Commerce.

MR. KERR: General, bear with me. I need another batch of documents marked.

THE WITNESS: It's a bad idea and I never allowed it to get any legs. If Barbara, independently of me or prior to my joining GMT, had surfaced or advanced it, she never made that known to me.

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J/bc

MR. KERR: Give me a second to get organized and if you want to take a break for a minute, we can come back and I'll give you another series of documents.

(Recess.)

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MR. KERR: On the record.

BY MR. KERR:

Q General, I want to take you to a different area now.

You and I spoke briefly about the vessel, the PIA VESTA, and whatever you knew about that when we last were here. We have now obtained some documents from GMT, which I would like you to look at and tell me if you have ever seen them before, if they give you any further recollection.

Let me identify them for the record. These are House Number G00315, 316, 254, 255, 252, 253, 276, 277, 278 and 272, all of which will be Exhibit 12.

(Schweitzer Deposition Exhibit 12 identified.)

BY MR. KERR:

Q If you would just take a moment to read the contents and tell me, first, whether you have seen any of them before.

A I have never seen the first page, which is about Patrice. I have never seen the second page, which pertains to Dan Cummings.

Let me tell you of the association with Dan

Cummings. He is out in Manila, working on this project. I don't want you to think that's because he was a GMT contract.

Q You did not know Mr. Cummings at the time he was apparently in contact with Mrs. Studley, which would have been August?

A Yes. He was one of the sources that I told you -- peripheral sources that I checked for one or two items to get a quote from. But his quotes were way out of the ballpark, high, and I dropped him.

Q As you will see, Mr. Cummings is an employee of Patrice.

A I didn't know that.

Q You had no contract with him on the PIA VESTA?

A And I don't know who Patrice is.

Q His identity is on the last page of that collection of documents.

A I have never seen these documents, and I think that's interesting. If they came from GMT -- you said they did

Q Yes.

A Then why didn't GMT show them to me, and especially if they are dated the 2nd of September?

Q Yes, sir.

A After I was there. I have never heard of this man.

Q This man being?

A Patrice. Patrice Genty de la Sagne. And the second thing is a memo from me.

Q It's a handwritten memo?

A A handwritten memo dated 18 September. And the reason I say "David Duncan called Barbara 17 September twice?", I didn't take the calls. I have never spoken to or met with David Duncan. This was a message the secretary had given me and was going to give to Barbara, and Barbara tended to kind of, with knee-jerk regularity, to react positively to anything that hit her desk. So I had seen this, and I thought it was a terrible idea that she had anything to do with Duncan. And I said that in my memo. A bad idea. Bad for Barbara and bad for GMT, underlining the "and." Neither honest nor prudent. Duncan is a bomb-thrower. GMT has no connection with him. That's what I was told. Never did. I was told that. To see him is to suggest a connection or give him more names to use in his next press conference, because he wanted him to meet with me.

Then I gave her an appraisal of David Duncan, very conservative.

Q Where did you get this information on Duncan?

A Let's see. I haven't looked at this in months. Oh, from Barbara. There seems to be something missing. There has to be, because I don't write like that, so something is missing. "Not all well going."

Q Do you know whose handwriting it is?

A That's mine. You know, I can't do anything but help you on the last part of that. It just doesn't make any sense to me. It doesn't seem to be part of this at all.

Q Do you have any further recollection of the knowledge you would have had? These documents all relate to the PIA VESTA and cargo.

A No. I don't know anything at all about the PIA VISTA nor the cargo nor Patrice nor was ever told anything at all about that. I can't handle the second thing at all. What I can relate to is the -- what I testified to you before is that Barbara said she had a call from David Duncan before I came to GMT, and that he had met with her, that she had then written up a memo, which we sent to Ollie North,

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and she talked for weeks about David Duncan. And I could never understand why she was so preoccupied with David Duncan, because her story to me was that David Duncan wanted to be a supplier or a broker or, you know, a source for Barbara, and I said, "You don't want to deal with a guy like this. He's dishonest; he's imprudent, you know, he's telling things that aren't true to the press. And we don't want to be associated with him in any way."

And Barbara agreed with me. Barbara never said "But I have dealt with him in the past" or "I know something about a ship."

The way she presented the story to me, it was just David Duncan had come in out of the cold, told her all about the ship. It didn't have anything to do with her or GMT, and he was proposing that they establish a business relationship, and I was telling her, "You don't want to be associated with David Duncan." And she agreed with me.

At no time was this ship mentioned by name.

Now, it may be, because I told you I never heard of the ship, that the press stories at the time mentioned this ship, and I saw the name, but the name of that ship, I would swear was never uttered in GMT.

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Q The last handwritten page which says, "Prices from Dan Cummings," whose handwriting is that?

A Barbara's.

Q Have you ever seen that document before?

A No. Let's take a look, though.

Q The items listed are the cargo of the PIA VESTA.

A I have never seen it, nor was that ever discussed in my presence that I can recall. And I would have recalled, I think.

Q All right. To help me with your handwriting and in terms of pages 277, could you just read the items -- the one you can relate?

A You know, the top part is "David Duncan, very conservative." I don't know what context that's in. And I can't relate to that, because he's a very imprudent -- you know, not a conservative person at all. It may have had to do with -- see, he was in the NSC, and I knew of him, although I did never meet with him personally. I knew of him when he was in the NSC, I think in the Carter Administration, and I think he was then -- I guess that's the context. He was a conservative person, who took very strong anticommunist views in the Carter White House. That, I take it, is what that refers to in conversations with Barb. "Not in Polish equipment." I just don't know. In conversations with Barbara, he's got a source on Polish equipment, to get any type of Polish equipment provided at competitive prices. And then the rest just doesn't make any sense.

Q Insofar as you can read it, could you read it?

A "Not all well going. Index or independent times." I don't know what that means.

"Maurice Bishop," obviously with some word left out. "September 20. Concerns military complex for Grenada. Mike Ruiz, a U.S. war veteran, Colonel Elbert Cummings." It is Rice or Ruiz, phonetically. I can't relate to any of this. I don't remember. It is obviously some notes I made, but see, this is early in the game at GMT, and sometimes Barbara would say things.

You've dealt with her, haven't you?

Q Yes, I have.

A She speaks very rapidly, very volubly, and I never could quite understand everything she was saying. Either she didn't tell me the whole story, which you're suggesting, or she told me a different story, which you are also suggesting by your questions, and I might have made some notes just trying to sort out what Barbara told me. But I certainly didn't deal with Maurice Bishop or with any of these people, and I have never spoken to Cummings. So the bottom of this page looks like some notes that I made.

Q Does it refresh your recollection of knowledge that you had that the cargo of the PIA VESTA was Polish arms and trucks?

A No, it doesn't. And the only thing that I know about that is from what was in the newspapers, and I would have believed to this day it was destined for Peru, for the Navy and then got diverted, and it was never destined for use by the armed forces of El Salvador. And that was something David Duncan tried to blame on [redacted] in order to get the cargo released [redacted]

Q The initial part of the note of September 18 says that he, Duncan, and Alberto Coppo -- do you know the Alberto Coppo that you're referring to here from Peru?

A No, I don't. [redacted] is well-known to me. I could have gone to [redacted] and asked him to release the ship. I never did, and nobody ever suggested to me that I should, nor would I have done that.

Q With regard to the reference in the August 29, 1986 memo of the meeting between Ms. Studley and David Duncan, there are some strange things said. If they give any recollection, please tell me about it.

A Sure.

Q I'd like you to read it. Numbers 254, 255, and I am particularly interested in the references to "Black money in Swiss banks that could be used to buy various types of goods."

(A pause.)

A This strikes me as a series of untruths. Now, just from my knowledge of the way the United States Government and the system operates, perhaps if it turns out that all these things that have been in the media are true, I might have a different impression of how the government operates. But the government that I know and the NSC that I knew wouldn't operate this way and wouldn't deal with a guy like Duncan.

And Duncan, as I suggested to you, and it is my speculation, is a man who was stuck with an order, and he didn't have either the money or the goods, and he had to go and explain to his partner or his boss that he had lost the shipment and the money, and you see you a man lashing out wildly trying to involve other people. And I speculated on this to Barbara, because I know she had this obsession with him. I was new. And you want to be polite to your boss, wasting time, instead of working on business deals.

Of course, there would be a different explanation if there was some sort of business connection between Barbara and these people, because then all of that would have been very relevant. At the time, it just seemed to me to be totally irrelevant. And I don't know that she did have a connection with him. I certainly learned of none when I was there.

I don't know Nunez -- N-u-n-e-z M-o-n-t-e-z -- a colonel. But Duncan stated that Colonel Nunez Montez' partner is the former G-2. I think that's correct. I think he is. I think that may be true.

Q Do you know Vincent Castero?

A Oh, yes, very well. He's an NSC staffer.

Q He was on the NSC staff at this period of time; was he not?

A Yes. Right.

Q Do you have any knowledge of a meeting that

Duncan had with Mr. Castero?

A No. Wait. I think, yes.

When Duncan was getting all this publicity and giving it, North told me he was going to sue Duncan, because Duncan said he had been to see Colonel North -- and please, I'm very inexact on the quote here -- had been to see Colonel North, and Colonel North had blessed or approved or disapproved or something. But he quoted a meeting with Colonel North that never took place. And I said to North, "Was he ever even in the building?" North said, "Yes, he had been to see several people." And he said, "Thank God I wasn't here the day he was supposed to see me, but somebody had sent him to see me." Then my recollection is, it was Vincent Castero, a very good man.

Q When did you have this conversation with Colonel North?

A Well, it must have been in September. What you see is a braggart and a liar to me, transparently, and then Barbara apparently has written Duncan, "Duncan believed to be a very dangerous man." That's certainly what I would tell her. Is this supposed to have been written after I spoke to her? No, before. If she says this. "Information.

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Duncan willingly gave, in a boastful manner."

So I think what she is doing is providing a useful service. When you read the latter part of it, common sense conclusions, she's reporting a conversation and sending it over to the NSC. I think that's the responsible thing to do. But I didn't know then, I didn't see this document then. I did not know before covert black money could have on TOW ramifications. It sounds like Barbara did. But I don't. She never revealed that to me.

Q Do you know if this material was, in fact, in whole or in part, provided to Colonel North?

A I was told that the document that was taken over by General Singlaub, when I went on the first of September, was a copy of the Duncan memorandum, which I had not seen, in a sealed envelope.

Q All of these documents, you will note, are dated September 2. Does that give you any additional recollection that you would have taken this material on September 2, as opposed to September 1?

A That could be.

MR. KERR: Of course, I don't have an '86 calendar, so I don't know when September 2 was. We'll check

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that.

THE WITNESS: In fact, if we were to go back, we might find that September 1 was a Sunday and September 2 was a Monday or something. I just remember I went to see him the first thing on the job, or maybe I had to go back out to the hospital on the first.

BY MR. KERR:

Q In any event, the contents of the package yu delivered to Colonel North, you did not peruse; is that correct?

A No.

Q And there is no additional information that your memory had been refreshed on in connection with this transaction, that you haven't testified to; is that right?

There's nothing further you know about this transaction?

A No. If I could, I would, but I'm telling you that if I had known that GMT -- and I don't know that they were -- but if I had known it were true that GMT were involved in supplying illegally arms to the contras or were, you know, working with black programs, I would not have gone to work for GMT. They were not held out to me to be that

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kind of a company, and I do not know that they are or were.

Everything that I know, which is from Barbara, would be to the contrary of that, would be that her one involvement was as a private citizen outside of GMT and before she told me GMT existed.

You have different information for me on that that you gave me the last time we spoke.

MR. KERR: What I want to do now is show you a series of documents relating to your contacts with [redacted]

THE WITNESS: Off the record.

MR. KERR: Sure.

(Discussion off the record.)

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PROCEEDINGS

Whereupon,

ROBERT L. SCHWEITZER

resumed the stand and, having been previously duly sworn, was examined and testified further as follows:

EXAMINATION (Continued)

BY MR. KERR:

Q General, what I'm going to do is I am going to show you a series of documents relating to your contacts primarily with [redacted] and the main focus is just to identify the documents.

A Sure.

Q Let me show you a letter date October 30, 1986 addressed to [redacted] which will be Exhibit 12.

(Exhibit 12 identified.)

THE WITNESS: When I testified before I told you there was one item, a noncombatant helicopter, that I hoped would eventually go to the resistance down there. These were medical evacuation ships, and this was one that I was very much in favor of seeing them get, nonlethal equipment, MedEvac, and -- but you could use it for anything. It would enable them to move people around and it was a very favorable

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price.

If you have all the documents, this was a negotiating price, we were negotiating with the supplier, the GMT markup I think was fairly reasonable here and I was going to bring it down and did, and you are going to see that price goes down from $2.9 million, if you have all the documents.

I don't remember what the bottom line was but it went down considerably.

BY MR. KERR:

[redacted] Q This letter would have been addressed by you to [redacted] right?

A That's right.

Q Would this have been the first written communication you had [redacted]

A No. Because the first one we guessed was somewhere around 12 October. GMT told me that they had on file the letter that I took out there which was dated the 12th. That's why I guessed when I testified to you before that my visit would have been around 12, or shortly after that, October. They should have given you that letter if you subpoenaed it because it is in their file and the day I came over here they told me in the morning that it was there.

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Q For one reason or another we don't have it.

A That would have been a notional list. And then you might compare that list with the one that was attached to the back of General Singlaub's letter, by my recollection. Without it, I can't tell.

See, this talks -- it suggests to you there was an earlier meeting which apparently there was, apparently the day before; and an earlier correspondence. Because you wouldn't normally begin a letter, first letter, by saying "reference".

Q Do you recall if this was a request the CIA made to locate this type of material?

A No. That was -- this is, Chuck, truly a remarkable buy for anybody. These aircraft were owned by the [redacted] I have been out and visiting them at their bases and their ships.

When they do maintenance they will even put replacing a screw that holds the leatherette upholstry in the cockpit -- they will put that in the logbook. It's the most meticulous maintenance, probably, conducted anywhere in the world. They are just as you would expect, [redacted] [redacted] everything is very neat and clean and very

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orderly. They are very professional in their training of their people and they didn't do much in the way of operations. These were air-sea rescue helicopters.

They were then sold as a fleet with an enormous quantity of spare parts to a man in California who had them in a hermetically sealed warehouse in cocoons.

The aircraft were inspected by GMT, I think Barbara, Michael Marks and Mike Timpani went out there and looked at them before I came on board and it was just a remarkable buy. They were going to be very price -- the price would go down, as I stated. It did go down.

As a unit, with the spares, you would want to buy them that way. The spare parts, there might be, what was it seven aircraft?

Q Yes.

A There might be five transmissions and there might be so many of these and so many of that. It was the Army original basic load list for a buy of seven helicopters that went to [redacted] and then was turned back over to the next buyer after were through with the aircraft.

So you would want all seven to go at once and it would be an administrative nightmare to try to sort out thos spares, let alone break them equitably. You wouldn't. Somebody would end up short filters or transmissions. And I think the owner wanted to sell them as a unit and the exception condition that I underlined was true.

[redacted]

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[redacted]

MR. KERR: Let me now show you a memorandum dated December 23, 1986 from yourself [redacted] relating to [redacted] and the seven helicopters again and now MIG-21s, which will be Exhibit 13.

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(Exhibit 13 identified.)

THE WITNESS: Okay. Yes, this is my memo written to him and that would be the date. And what I did here was incorporate the helicopters, they are still the same seven. The price has now dropped. There is a little different arrangement on repairs and transportation -- all more favorable the [redacted] I had talked to him on the phone, by saying: Do you recall that item you asked me about? Yes, I can.

And, now I'm confirming that in writing.

BY MR. KERR:

Q Let me stop you, [redacted] is that right?

A Well, wherever they could be obtained. Mr. Glatt was the one who had them [redacted] and as it turned out he had them there because of what he said was an earlier suggestion or query. It wasn't an order to buy or anything. [redacted]

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[redacted]

And then the developers would go out to the suppliers and say does anybody know -- even without telling you who the client was even if it was transparent. [redacted]

But I believe I brought that one forward because we had someone who came in and tried to sell them to us [redacted] [redacted] Graham Lowe.

Q Graham Lowe?

A Graham Lowe. He would be the one to bring in and talk to and find out all about that if that's of interest, but I think that was a straightforward good proposal.

Q You had no contact with Helmut Mertens or Overseas Trading Company with regard to MIG-21, is that right?

A No. No. And this man purported to be an individual who was connected with [redacted] [redacted]

Q That is Mr. Lowe was?

A No. Mr. Lowe was the rapporteur for this individual. The man who's name I can't remember -- Little

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Will -- I'd have to have all my files to see -- was an African citizen, a Ethiopian, who came in and said he had this information and do we have a buyer?

So I said I will go and see if there is a buyer. We went through a long desultory exchange with this individual, where he wouldn't provide the information that was wanted.

You know: Do you have an export license? Do you have authorization to sell? Can we inspect the aircraft? And he would never -- which is the country? You know, we'd have to know the source because we wanted -- I wanted to know who the source was.

Similarly, if I was asked to obtain anything I always insisted that the person level with me, whether -- if the buyer was going to be [redacted] whether they were going to be the real end user. There couldn't be any games here, no reexporting. We have to satisfy ourselves that the person who is the buyer is the ultimate buyer; unless you tell us who the ultimate buyer is and then we'll decide. Because we absolutely didn't want -- and I know this included Barbara -- any arms to move to Iran or to Libya or to some Soviet regime or some Marxist insurgency.

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Q [redacted]

He told me that, by coincidence, they were having their annual Christmas party. Commendably he didn't invite me to it, and I liked that, that I wasn't invited. Where he had all the services and the people, the professionals that he dealt within the government agencies attending the Christmas parties. But not contractors. That was clear, although he didn't say that. [redacted]

I'll tell you, I think it was the 24th or the 23rd. [redacted]

but because of all that was happening, now you can see this is post-Ollie's Follies and post the downing of the Hasenfuss airplane; so it was clear even if it was a good thing to do nobody was going to do it.

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I thought the buy was remarkable for reasons that I testified earlier and I thought that it was in our interest to make sure that this stuff went to us at a low price rather than to, say, Cuba or Peru; where supposedly there were buyers.

I was told there was a Latin American buyer. I said there can only be three. One would be Cuba, we don't want them to go there, the other would be Nicaragua, we absolutely don't want them to be there because that might cause a threshold to be reached and might even cause the Rio treaty to be invoked and I didn't want to see that happen at this time, and the third possibility was Peru, and Peru was desperately broke, absolutely didn't need any more ordnance from anybody, certainly not any more Soviet ordnance. They needed to go help their people and Alan Garcia Perez who I talked to, the president of Peru, and I were of one accord. You needed to work your people programs and not buy any more hardware. In fact, what I wanted to do which I supported him on was to get a consortium of nations in Latin America to agree to a certain arms level so you didn't have the Andean nations competing with each other.

One of the great nonsenses down there has been

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buying aircraft carriers because one country had one, then the other country felt it had to have one, too. The truth is, nobody needed them.

MR. KERR: I'll show you another document. This is document G000046. It's a list with a receipt date of December 29, 1986. That will be Exhibit 14.

THE WITNESS: That's the one I already gave you. That's the one I dated the 30th.

(Exhibit 14 identified.)

BY MR. KERR:

Q This document comes from GMT's files?

A It's the one that I dated for you on my copy the 30th. That was an original date. I didn't do it subsequent. With a couple of corrections.

I changed some spellings for the [redacted] [redacted] was misspelled, and they had tangled up some nomenclature.

If I can show you something about the list, you are not, I guess you once were but you are not an active working military man. That second item doesn't read -- let me read it for the record [redacted]

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[redacted] It is just garbled. Then the quantity, "5500," it doesn't just make any sense.

[redacted]

Q Exhibit 14 is the list that [redacted] gave to you?

A The same -- it's the same as my list is that I gave you of the date of the 30th.

[redacted]

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[redacted]

MR. KERR: Now let me show you a collection of documents all dated December 31, 1986. This will be Exhibit 15.

The first three pages I believe are part of the same memo but I may be wrong. The last page appears to be a list of prices. Let me show you the document after it's marked and maybe you can tell me if they do in fact go together.

(Exhibit 15 identified.)

THE WITNESS: I authored the document.

BY MR. KERR:

Q Okay.

A This now, again, diplomatically as I characterize

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all these technical problems that we have --

Q Is this the list as it was supplied to you?

A That's the list as supplied to us. We are responding now, you can see on the 31st of December.

[redacted]

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origin?

A This was my effort to Barbara's dislike to get competitive prices, to go to more than one source. Barbara wanted me to work with Werner Glatt. [redacted] I don't know any other way to do it.

I'm not going to go to Werner Glatt because he's a good friend of Barbara's unless Werner Glatt is the low bidder or there are other circumstances.

If he'll provide the shipping or pay for the insurance or offer credit or he can get it delivered faster or his equipment is newer or better, then you would be able to accept a higher differential. But you want to know all these things and you can only know them by going out competitively. Barbara didn't like that. She resisted it, really, very strongly. But because it was so logical and such an obvious good businesslike thing to do, she couldn't and didn't tell me not to do it, but she was unhappy I was.

Q Who were you going to go to for the Chinese arms quotes?

A That was, I think I remember the name now, Richard

Hartley, I'm going to suggest, only that may may be wrong.

Incidentally, for the record I remember the name of the Israeli vice president that ran the Tel Aviv office, it was Ron Harrell, H-a-r-r-e-l-l, I believe, although I have never seen it written out anywhere.

Q Does Hartley trade under any particular name?

A He was as I explained to you under oath before a former, young, in his 20s or very early 30s, a former Royal Army officer --

Q Right.

A -- who had gone into business with other partners.

He wasn't with Johannesen, J-o-h-a-n-n-e-s-e-n; and I don't remember now who he was with. But it was a prior contact with Barbara.

In fact, we went over for the International Air Show that took place in England. And she met him in the hotel on arms business, which she didn't go into with me.

Then there was to be a further meeting in Washington, which took place. At that time he presented, either in London or later, the list that I have already testified to which we then used to, on a telephone, to give quantities.

You know, your list, item number 15, please update your price and the quantity will be 500. That kind of way of putting the ideas across.

Q The prices that are indicated in Exhibit 15, these are the prices, the original prices on the list that you gave [redacted] is that right?

A Say that again?

Q The prices on I guess it is the last page of the exhibit --

A Yes. Everything, every time I got a price, I gave it [redacted]

Q This is the first set of prices you gave him?

A Yes. Because -- notice how quickly we are responding, too.

Q Is it your recollection that he told you the day you gave him this material that your prices were too high?

A No, no. Quite the contrary. He said that's fine thank you, appreciate the quick response. I'll get answers to your questions and I'll send them to my technicians to look at the prices.

He made no comment the prices are too high or

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these look out of line or anything else. In fact, he appeared to be quite impressed with the responsiveness.

Now, compare this list with what we were getting back from him on the 9th; you know, that scrawl.

Q What I want to do is now show you a document --

A I would have thought what would have happened is we would have gotten this one back annotated.

MR. KERR: I want to show you a document which has at the bottom "presented 05 January '86," and what you are going to note, General, is there are prices on the right-hand column which are then apparently modified as to certain line items on December 31, 1986 with a downward adjustment. I need you to tell me what that implies. That will be Exhibit 16.

(Exhibit 16 identified.)

THE WITNESS: What's the date of this?

BY MR. KERR:

Q The date indicated on the bottom left-hand corner is a presentation of some kind made on, what, the eightth of January?

A 5th.

Q 5th of January. I'm sorry.

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A Well, all I can say is that they are lower prices. How does this fit in with the document you have that I turned over from Mr. Glatt that says, "against my better judgment"? It may be -- may integrate with that document but it was obviously an effort to get better prices than we had turned in on the 30th.

Q His document is dated January 11, so it would have been a succeeding document. (Indicating.)

A See, I don't see that they are better prices.

Q See the three bullets here? What you'll see, it was a price quotation on December 31. That, apparently, you called someone on that date and got lower prices. The prices drop?

A Or I persuaded Barbara that we should reduce our profit.

Q That's really my question. What's going on? Were you in touch with somebody on the 31st?

A I don't remember. It may just have been me. Well, it looks like I was also in touch. I'd suggest it was a beginning of all three because I've got Chinese alternatives. I've got a lowering of price. And you'd have to look and see if that was Mr. Glatt's willingness to come down.

You had asked me a question earlier, you know, why wouldn't the agency go directly to Glatt? Well, maybe you could do better brokering him down, leveraging him down by using a broker. And as long as the agency operated that way I believe they'd be on the side of the angels. Their interest is what's the lowest price we can get there for the American taxpayers. If you use three brokers, it doesn't matter if it's the lowest price they can go except, I have alluded to this before [redacted] And I think these are good, reasonable statements or criteria that the agency should and apparently does follow.

Q Just so I can follow what is going on here, it appears to me there was a meeting on January eightth, regarding pricing.

A My effort, throughout my entire time, and this negotiation, was to bring the price down for the agency. That was clearly [redacted] effort.

And there were numerous phone calls and meetings. I can't track them all for you, but the goal was to bring

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prices down, not bring them up.

Q Just to pursue the paper flow here, what was previously marked as Schweitzer 4 is the January 8 annotation?

A That came back from [redacted] I think you have two copies of it. You were going to give me one back.

Q I have yet a third copy I'm going to show you.

A Can I have one back?

Q Sure. Take the bottom one if you want.

MR. KERR: Let me show you what will be Exhibit 17; is that right?

THE WITNESS: They all say the same thing, don't they?

MR. KERR: This one confirms the date. That's all.

(Exhibit 17 identified.)

BY MR. KERR:

Q Exhibit 17 has a receipt stamp which appears to be the GMT receipt stamp and has a handwritten note from [redacted] and a handwritten note the the bottom "actual 08 January -- quotations? Quote sheet?"

So you would have taken this from [redacted] and

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would have brought it back to GMT; is that correct?

A Right.

Q And what this reflects is what you previously testified to?

A Exactly.

Q This is your meeting with him on pricing?

A Where he told me we were too high and this left-hand column was the price we had to beat. Here were our prices.

Q Okay.

A Too high. Here is the ones that we can get them for, see? And you can see the differences.

Q Okay. Now let me show you --

A On some of these I still react with incredulity. On others I knew it was too high and should come down.

Q Let me show you a memorandum that's marked "notes from R.L.S's call," dated January 8, 1987, which will be Exhibit 18.

(Exhibit 18 identified.)

BY MR. KERR:

Q I would like you to look at that document and tell me if you have seen it before.

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A No.

Q Do you recollect what this was about?

A Yes. This would have been a late night call in bad weather and I would have called back to GMT and given them -- just, you know, no dollars, just numbers. That would be Michael Mark's handwriting.

Q Okay.

A So this document comes before this one. In other words, this would have been what was on the phone call and then, because it was so late at night rather than go all the way back in I would have brought this paper in. So the order would be like this.

Q So Exhibit 17 got into the hands of GMT the day after Exhibit 18 was created?

A I would think so. Right, because this would have been the phone call.

Q All right.

A And then Michael Marks, as I recall, told me because he had to pass it on his way home, went out to see his mother in this great big mansion she lives in Great Falls off the George Washington Parkway and the interchange -- not George Washington -- off of the Beltway, 197, I think it is.

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Would have gone and discussed it with her.

Q You would have discussed it with her on the 9th of January, the next day?

A Oh, yes. Sure. But I mean her son would have discussed it with her that night.

Q That night. All right. You remember that you prepared a memorandum on January 9 on the meeting with [redacted] Or do you remember that?

MR. KERR: Let me show you what will be Exhibit 19.

(Exhibit 19 identified.)

THE WITNESS: There are some notes on here that also came from me, WG is Werner Glatt; "client is not who he thinks it is. Glatt was on the phone denouncing these prices, it's outrageous, Central Intelligence Agency knows better than that."

I was saying: Tell him that the client is not whc he thinks it is. [redacted]

BY MR. KERR:

Q Let me follow what you are telling me. Glatt even had been told or was assuming that you were operating on covert procurement for the CIA?

A Well, what happened was -- you know, he's a very sophisticated arms dealer, so he got the list. He priced it. And then when the explosion started -- and all that was very normal. He was saying then apparently to Barbara, I learned later, this is the Central Intelligence Agency's account. This is the one I have been wanting to get. And Barbara was, I think, unfortunately, agreeing with him. And probably thinking she was doing it elliptically by using double talk.

If it happened, and I think it did from all the pieces of information that came to me, that would be in contravention with any kind of agreement we had or commonsense would tell you, dealing with any agency. You shouldn't reveal who your client is. When you are going to some source or broker for a source; especially if the source is in the Soviet Union's sphere of influence or control. Poland is both.

So, that was bad enough. But when the rejection came and we were told that our prices were too low and here's the prices to beat, that's when Werner Glatt began throwing tantrums and denouncing the Central Intelligence Agency on the phone. The one or two times I spoke with him, I stopped him, even rudely, to get him to stop talking about that. And I -- each time I spoke to him I kept telling him you got the wrong idea who the client is.

I know who it is.

[redacted]

Then there's another "Dunc" is either the real name or pseudonym for the London connection. It seems to me it was just a pseudonym that we used, not to make it cloak and daggerish, but it's just more convenient to talk that way.

Q An alias name of some sort?

A It may have been a real name of a man, too -- Richard -- the guy who was taking over from this Richard Hartley person. I'm not sure it wasn't Hartley.

Then I'm saying here it's not a game of

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one-upsmanship. Because Barbara was saying that.

I was saying no, I believe these are really the low prices and we have to beat them. This is the beginning of my argument with her on competitive bidding.

I'm saying I'd be home after 6:30, with very bad traffic. I didn't get home until later. [redacted]

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[redacted]

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[redacted] I always assumed there was -- what I'm trying to do here is mollify Barbara. She wanted to go to Casey with a complaint against [redacted] I was trying to tell her don't do that, that's dumb.

Indeed if she had it would have been the end of the whole thing right there.

These are all fair comments. What I'm hoping to find is a memo where I said there has to be competitive bidding. We don't want it otherwise.

Q Take your time.

A I'm telling you, nothing supports the complaint. And, oh, she was convinced that somebody else was going to get this deal, this transaction on a sweetheart arrangement and I was saying you could always check the price that's ultimately paid for the 21 line items. If you believe you

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[redacted]

And he said: I don't believe that could have happened.

And I don't know. When you've got a guy who owns a county, nine farms, I suggested to Barbara that that might be why we had the high prices. That we would do better going

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in with an ordinary supplier. But if you've got a guy who is paying off at the top, Werner Glatt could be faced with very heavy prices because his own approach is wrong. You know he's going in at the top and paying everybody down the line.

Whereas in the Communist system, it's very capitalistic in practice, but because they don't admit it, the system is very inefficient, if you went in at the bottom and asked the factory manager who has all these quotas and he has to produce goods and sell or he's in trouble with the central committee with his country, you'd probably get a better price than if you started at the top and had to pay everybody off all the way down.

I said it could be that Werner Glatt who rips you off for himself, he didn't get those nine farms for nothing, would be going at it in such a pompous way as a name dropper wanting to get associated and getting the psychic return of all these officials would have a lot more officials to pay off and therefore his price would be higher than others'.

[redacted]

I didn't tell him yet because I didn't know where we would end up, whether we could get Werner Glatt to come down. But the order ship time would be 120 days. And then I say because of all the earlier bureaucratic days, one of the other suppliers would probably get the contract even if our prices were competitive or lower because you couldn't afford to wait.

[redacted]

What's missing is a memo where I talked to her about competitive bidding. But I can absolutely attest to you under oath that he had repeated conversations with her in which I defended, not only the propriety but the desirability. In fact I told her you and he, Barbara, as taxpayers, want them to have competitive bidding.

Q Just to follow the sequence, we have already looked at a cable on January 9, 1987, by way of that machine which you describe where Ms. Studley tells Werner Glatt that she wants him to come back with better prices --

A That's the one I just gave you. I think that's the one you have to fit in, but apparently it came after.

Q It would have come after your meeting with [redacted]

A See, this is a new one, isn't it?

Q It has an exhibit number on it?

A Yes. It would come after. I think you can believe the date chronology on these and I'm sure there were more interchanges by phone and by cryptic message.

Q Again based on what we had yesterday, Exhibit 5 appears to be Glatt's response to Exhibit 8.

A Right. That's the one I gave you.

Q Okay. Then we have a series of documents dated -- apparently sent on January 14.

A What Glatt told me was, in one conversation I had with him, that the suppliers told him that if those prices were true, they would like to have the identity of the supplier because they were cheaper than they could produce them at and they would like to buy from them.

Q Now let me show you what appears to be a subsequent response. On January 14, 1987, you apparently sent the letter I'm about to show you [redacted] and included a series of quotations with a January 13, 1987 date.

A Okay.

MR. KERR: This will be Exhibit 20.

(Exhibit 20 identified.)

THE WITNESS: [redacted]

BY MR. KERR:

Q This is a letter you sent to says [redacted] mailed it or hand-delivered it?"

A Hand-delivered. I never mailed him anything. Ridiculous to not -- that's Werner Glatt. But others said the same thing.

Then, you know, I'm discussing some technical things.

Then, again I still recall, this is now the 14th of January and I'm still unable to get clarification to the garbles in this particular list so, there again, I'm asking him for clarifications. And it is slowing up the process of obtaining lower quotes.

Then -- yes, this is fine. Here is my circled list.

Q What you are circling is items where you were beating the price that you quoted?

A Right. And were beating the price -- all the circles, certainly all that say "China" would be -- these would be Fred Fox.

The -- Poland new, was the PKM submachine gun. That would probably be Glatt. So that's exactly the way I gave him the list and I was showing him where we are beating the price.

Q Okay. Let me now show you what will be marked as Exhibit 21.

(Exhibit 21 identified.)

BY MR. KERR:

Q Exhibit 21 is a document which appears to be dated at or about January 16, 1987, which includes a list of Chiness quotations.

A Okay. Now you are starting to get the spread sheet.

Q So you were now going to a second or third source to try to get quotes?

A Right. One would be Werner Glatt. One would be Fred Fox. And one would be Dunc. And "Dunc", I think now, is a real name as I go back through it. In fact, I will tell you it was.

What I was doing was discarding other people that I had gone out to who came in higher or couldn't supply or appeared to be confused as to whether they had valid, accurate pricing data.

Q How did you get access to Dunc c? How did you find out about him?

A It was Barbara Studley.

Q Studley again.

A Richard, the young man, came in and I think Dunc c was the one who took over the account.

MR. KERR: Now let me show you a January 21 quotation, which will be Exhibit 22.

(Exhibit 22 identified.)

BY MR. KERR:

Q Were you supplying these quotations to [redacted] as they came in? For example, did you supply --

A If there were minor changes, I wouldn't go in. I'd wait until I could consolidate a list. I wasn't going to him with real time. My objective, as I have testified -- and it was -- actually my operating principle throughout, was to bring the price down. So all of these are going to show a

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downward trend.

Q But in terms of what [redacted] received, you do or do not recall that he got these 16 January quotations? This quotation, which is Exhibit 21?

A Oh, he would have gotten -- well, he would have gotten it somewhere on one of the spread sheets.

Q All right.

A I didn't withhold anything from him that showed a lower price.

If the price went up, I would not go in with a higher price, if we had a lower bidder and the price -- I don't think any price actually did go up.

We had people who came in with higher prices, and of course, I didn't bring those to him because I'd be wasting his time. He had already told me what we had to beat.

Q Exhibit 22, do you recognize that list?

A Yes.

Q Okay.

A That probably went to him.

Q All right.

A It says so.

Q Right. Now, with regard to -- what was [redacted]

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telling you when you were giving him these successively lower prices? Keep at it? Or don't bother me? Or what?

A You know, because I was looking for signs, because we weren't getting anywhere to where I can go back and report this deal isn't going to go anywhere, let's drop it.

[redacted]

MR. KERR: All right. Now let me show you a version of the quotation of January 29, 1987, which will be Exhibit 23.

(Exhibit 23 identified.)

BY MR. KERR:

Q Do you recognize Exhibit 23?

A Yes. This is the list that I was hoping you'd have. This is where I took this to [redacted] to show him our spread sheet. You know, to show him we were going to different sources, and to identify for him, in a generic way, who the different sources were.

I told him orally who they were. A, I said is obviously Glatt; B, I gave a different one.

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Q You've got two Chinese sources listed there. Who are they?

A One is Dunc c and the other is Fred Fox.

Q I'll ask you about that. Maybe I'm just not following what is happening. It looks to me like you've got Mr. Fox's quotations on the far right side by the carets?

A I can't tell you right now. I'd have to study these at great length, but I'm going to give you something that's going to sort all that out for --

Q All right. Fine. As to the European source; do you know who that was, D?

A I can't remember right now. I just don't recall. Probably, like everything else, it will come back to me later. It was my effort to get competitive bidding.

What will help you sort this out is here is a GMT document that was not given to [redacted] and shouldn't have been because it shows the prices, the different source and our markups as proposed.

For me it was still a negotiating tool and you'll see one or two where the prices are high. Had we gone in, we would have lowered those or done something about them.

But it was an effort by me to get together, because this was starting to get confusing -- different suppliers, different quotes.

So I listed -- we established a list of all the suppliers and all their prices, including when Glatt backed down and this would, therefore, be an internal GMT document which shouldn't really see the light of day.

If you are satisfied she's done no wrong, this would be the one document to pull out of there.

I would like to get a copy of that.

Q Sure. I'll have a copy made for you.

MR. KERR: Let's have this marked as Exhibit 24.

THE WITNESS: And the list: Glatt, Fox, Fox -- because Fox gave us different quotes -- and maybe RMW is this Hartley outfits -- RWW. Maybe the -- no, it's Europe. I think maybe they had access to Europe. I just have forgotten.

MR. KERR: Let's mark it.

(Exhibit 24 identified.)

BY MR. KERR:

Q With regard to Exhibit 24, Exhibit 24 is the internal working document of GMT that you used to keep track of what actually was --

A I created it with Michael Marks to show what all these different prices were and what our profit was.

That represents a decrease from where we were earlier.

Q Just so I can follow who these people are, WG is Werner Glatt?

A Right.

Q Dunc c is the supplier?

A The British supplier who was not the young man, but took over from the young man in the same company.

Q Fox?

A Fred Fox, who I've testified to you about.

Q From Indiana?

A Right. ECP, associated with the woman who is the Dallas Trade Center.

Q And RWW is a person whose name you can't recollect?

A Can't recall right now, but another source that we generated.

Q And you had gotten RWW's identity, again, from Studley?

A I'm sure. Because it is not anybody I knew. I had never dealt in this area before.

Q Okay. Thank you.

Now let me show you what is described as the "categorically reorganized list."

A That's the one I disavow. Because you see what that has done is made the best efforts go away, which were mine, to -- these two documents in particular.

Exhibit 23 and Exhibit 24, if you present them to [redacted] they are going to lead you to the bottom -- the low bidder.

Q Right.

A When you go to that document which I have not seen, it uses some of my footnotes and some of my data, but it manipulates that data to put only Werner Glatt forward and it puts statements forward, some of which are true and some of which are either untrue or which I would not advance concerning Mr. Glatt. It certainly doesn't put the negatives about Mr. Glatt forward, which should go forward.

So to me it's a dishonest document, a selling document to go buy this Edsel, don't look at any other car.

Q Bear with me, the March 4 document that we had shown to you at your previous deposition had been supplied by the CIA. That was Exhibit 7.

I'm showing you an identical document which was supplied to us by GMT. All I need for you is to tell me if they appear to be the same document.

A They appear to be the same document and I have no connection with either one, although some of the basic data, which is then manipulated here, was mine. The manipulation was not mine.

Q Okay. And the text?

A See, some of the text comes from my ideas or my statements in the past, but the text -- I didn't write the text, so it's a mixture of some of my earlier memos, the new data on [redacted] and a euphoric tone poem about Werner Glatt that I had nothing to do with.

See, they bring you some other sources here. They do throw that in. I didn't see that the first time.

Q Yes. There is an alternative?

A B, C, and D, but they are suppressed.

Q All right. It's restructured in such a way that A is prominent and B, C, and D is less prominent?

A Right. And I wouldn't have done it this way.

MR. KERR: Let me show you one other document, going to Dr. Cline and it's basically an attempt to -- if you have any further recollection as to the role he played after you left with regard to [redacted] That will be Exhibit 25.

(Exhibit 25 identified.)

BY MR. KERR:

Q My first question to you is have you ever seen that document before?

A No. Some comments on it.

Q Okay.

A [redacted]

I've given the $2.7 million, in fact I gave him a lower figure than $2.7. I gave him $2.4, orally.

There was no buyer's query on this, in that sense of the word. So this repeats the same data, but the price now is higher than I had given him before Christmas. We were down around $2.4 million, as I recall. $2.4 million.

The price, incidentally, is good at any one of these figures. But I had gotten the buyer to give up -- the owner to give up some of their price and we were going to give up some of ours. Now we are back up to $2.7.

Q It does not give you any further recollection or knowledge that you would have had of Dr. Cline's role in trying to sell these items?

A Let me say something to you on the record under oath that I have given to you on the telephone.

I talked to Dr. Cline before he left for his overseas trip to South Africa, I believe two days ago. And I told you that I had cautioned him, I said without in any way trying to interfere with Barbara's practice of her business, but just you be very careful about dealing with your alma mater, so that you are not led down a primrose path.

Dr. Cline said: Thank you. But I have had very little to do. He said, I've done nothing. The only thing I've done is relayed, using a different channel than you were using, at a higher level, as information. I have communicated her desires -- relayed -- communicated her desires to the agency. And I have undertaken no other negotiations or approaches to them.

Q Did Dr. Cline ever tell you that he approached Acting Director Gates on this matter?

A No. He told me when I -- as I testified to you late at night, the last time we were here -- that when I reported to Dr. Cline what [redacted] had said, that he would not deal with Dr. Cline, he would not even talk to him other than to say hello on the phone and he had to amend his remarks to allow for that, Dr. Cline said: Well, I wouldn't go to him anyway. I'd go in higher up. I'd go to Gates.

But it was subjunctive: "I would." He didn't say he had or he was going to. It was conditional. If I was going to, I would go to Gates.

So he never told me who he went to or whether he relayed any paper. The term I communicated, quoting Dr. Cline, "her desires" -- as information. Not as a lobbying effort.

Q Dr. Cline has or has not revealed what his remuneration would be from GMT if this sale were made?

A No.

Q He has not revealed that?

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A No.

MR. KERR: Let me show you a memorandum dated December 17, 1986, or referring to a memorandum - strike that.

A memorandum that refers to a meeting of December 17, 1986 [redacted] which I would like you to review and tell me if you have you have ever seen it.

THE WITNESS: Wait, go back. I believe he told me, but this is a tenuous recollection, that Barbara had offered to split the profits 50:50 with him and that Barbara told him that he would be the front for her because she sensed that with the publicity she was receiving through the Washington Post and my leaving, that they would not want to deal with her. So, therefore, she went to Dr. Cline and asked Dr. Cline to set himself up as a front. That was Dr. Cline's words, quoting Barbara, to him.

I said: Ray, you don't want to get involved in anything like that. You would have to notify the agency who you were really representing. You couldn't, you know, pretend to be Dr. Ray Cline doing this with no connection to GMT which in reality GMT and Werner Glatt were the ultimate. I don't know if the agency would make you say that, they

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always told me they didn't care what the sources were, but I always told them so they could come in with their tank commander's override so, to speak, and say we don't want to deal with that man because he's too sloppy or he's burned us before or he's too close to the KGB or whatever, doesn't have to give me the reason.

I told that to Ray and he readily agreed to that. At that point my recollection is that he told me that Barbara said that the profits would be split 50:50. I thought that was a far cry from where we had started out.

I remember, the reason I'm so sure of this for the record, is that I reflected, you know, here I've spent all this time arguing with this woman about bringing prices down and she really got very angry with me. Now she's giving away 50 percent of her profit which, if we had done that as I wanted to do, I wanted to come in with a 3 percent or 2 percent profit on a $40 million deal that would be, I thought, sufficient. And I was just blown out of her office in anger when I proposed any such notions.

Now I brought, through negotiating, her profit down as you'll see on that spread sheet to 5 or 10 percent, 2-1/2 on some; and now she's going to give half of that away

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to Dr. Cline. I reflected to myself where we would have been if, on the 31st of December, we had gone in with asking 50 percent less of a much lower set of prices?

In other words, if you could have gotten to where she was somewhere early in March or the end of February, she might have had a contract from them or the promise of one or the real hope of getting one.

BY MR. KERR:

Q Okay. I appreciate that. This is Exhibit 26.

A I have, because of that, the irony, all the pain I had been through with her and now she's giving away 50 percent of her profit, that's what gives me the clear recollection that Dr. Cline had said it was a 50:50 arrangement.

I was surprised to hear that because to the best of my knowledge he has never done that before. His work has been scholarly, consulting in the surest sense of the word. And not been in the -- in this business.

(Exhibit 26 identified.)

THE WITNESS: Certainly from my experience, my advice to him would be get out of it before you get into it.

(Discussion off the record.)

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THE WITNESS: Yes, this is my memo.

MR. KERR: While he's doing that I would like you to mark the March 4, 1987 list which the General obtained from GMT as Exhibit 27, just to keep a record of it.

(Exhibit 27 identified.)

THE WITNESS: This is my memo and with this memo I go back and correct something I said perhaps unintentionally, unkindly, about the seven helicopters.

This is Exhibit 26. I'll go through it in order.

It reports a 17 December meeting so it should go back, I think, in a different order in your chron file.

BY MR. KERR:

Q It clearly precedes much of what we are were talking about.

A Right. And it's very helpful. One thing, where I refer to Graham's eight items, this is something I would use on telephone because they came from him. That's the MIGs.

Q Graham is who?

A Graham Lowe, so Graham's eight items would be the eight MIG-21s which went away.

Werner Glatt, incidentally, continued to say he could provide MIGs. Not as many spare parts and the price

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was higher. So that's -- and then Werner's two to eight items, that's the [redacted] That was another shorthand to use on the telephone. Okay? So if I were speaking [redacted] I'd call him back and say with reference to Werner's two to eight items there's some interest -- real interest, real desire. And I'm proposing that, because this is the one that Werner Glatt was having -- throwing a tantrum over, that we should pin him down to get a price so we could say, well, everybody understood that if you bought all eight, each unit price would be cheaper if you could give us a price, you know, two for so much; five for so much, and eight for so much.

Then the Burbank seven items are the seven helicopters and they were in Burbank, California.

Q Okay.

A Now here I'm saying "great desire," underlined. Real thirst; money is the sole problem.

So, where I unkindly said, and unintentionally, that Barbara was stretching the language to say client had expressed a real interest, clearly he did or I wouldn't have written this.

Q And "he" would have been [redacted]

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A Would have been [redacted]

You know, he didn't ever -- he never said that they were for the Contras, because to get a package of seven helicopters with spare parts, you could use them anywhere. If you had the money, Chuck, it would be very good [redacted] [redacted] leave them cocooned out in Burbank and then use them at any time over the next two to 10 years.

Q Okay.

A You could use them -- once the government -- remember how this works. [redacted] and you suddenly need them for famine relief in Ethiopia, [redacted] can provide them for that, too. I just wanted to see them go into the government inventory.

Q Let me go through some items here I don't understand. You would have had this meeting with [redacted] Just you and [redacted] correct?

A Always. No matter how many times you ask me that question we can't get anybody else in that room.

Q Got to make sure, though, on each of these meetings.

This meeting would have been set up by you

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contacting [redacted] contacting you? How would it have gotten arranged; do you know?

A It varied. Most of the times were at my initiative, carefully trying to sense the waters so I wasn't bothering a busy man who was plagued with investigations. Although I was yet to go through that, I had an anticipatory sensitivity for it, which was not misplaced.

Sometimes he would call me and ask me to come down.

Q Do you remember on the 17th of December which it was?

A Let me look at the memo. I think that's when he asked me to come in because they were supposed to have had a meeting of the board.

Q Okay.

A But it may -- I wouldn't want -[redacted] who has, perhaps, a good chron file or his secretary does, of when I came or how I came, I would accept whatever he said. Most of the time it was at my initiative that I went down there.

Q Item 1 says, "no action, physical condition of one individual and paralysis of system are causes."

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A That was Casey's illness and the paralysis of the system is because of all the newspaper stories. I testified under oath, both to Mr. Albright and to you, earlier, that the government was not doing, even, things it should be doing while all these bombshells were going off.

Q Okay. The "no action" is no action as to what?

A On the list.

Q On the list to be produced to you to price; is that right?

A No. It had already been produced to us and we priced it and we had come back in. There was no action.

Remember, this is before we were told your prices are too high.

Q I thought you got your list after that, but I'll go back.

A You are right. Let me straighten that out. You are correct.

What this is -- I had gone to him in October and then gone back or he had come to me to tell me nothing was happening. So, this is kind of a "John the Baptist precursor." It sets the list when you get it, to price, will certainly include. And then he had these items because I was asking for a notional list. I said it would help us -- because I was interested sincerely in getting the lowest price -- I said if you could tell me that you wanted AK rifles, the family of AKs, I could go out and start -- I could pick a notional number, like 1000. Because you would know you wouldn't buy 100 of those, or 10,000 or 5000, I'll make up a number and start getting some prices so we have a basis and can stimulate the sources into being competitive so we get a lower price.

He said I can't tell you until the board of directors meets. It's something like an ordnance board, the military ordnance -- although he said they didn't call it that, that meets, that determines what the requirements are from the operators or requesters, whoever they are in the agency. And then works it all together to see if it makes sense that people should have these.

For example, you could have an operator or intell guy out there saying let's get a bunch of these and maybe you don't need them or they are obsolescent.

On the other hand, you might have the same person asking for very modern equipment, and you wouldn't want to give it to him person because it would either put a signature of the U.S. on it that you wouldn't want or the people hadn't been trained on that.

You'd want them to stay with the more archaic, obsolescent family of weapons because their training and the support system.

What you don't want to do is bring in a mix of weapons, different families, different countries, different generations. Because then that complicates your training and your supply and your maintenance problem. So it's better to work with Mauser rifles.

Q Let's come back to the notion of "no action."

Would it be correct that what he was telling you there had been --

A No movement.

Q -- no movement to create the shopping list?

A That's what it was.

Q Because of Casey's incapacity?

A Right.

Q And because of the publicity --

A Inner paralysis of the system.

Q And that was because of the publicity over the Iran-Contra matter?

A Everything had stopped and nobody wanted to even think about coming up with a list.

Q Okay. Then you say he said, in paragraph two, there was going to be the meeting of the board of directors and that's what you just described?

[redacted]

Q And it says that that meeting will result in approval of a list and that "we", meaning GMT, I assume, have a promise that "we", meaning GMT, will be given a list to obtain prices about 4:00 p.m. on December 23rd?

A Right. Now you can see the competitive nature of the thing.

[redacted]

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Q Quantities, he told you, were unknown at that point.

A Correct. And I was asking for notional items and notional quantities just so I could start the pricing.

[redacted]

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[redacted]

Q Let's go to the next item. "Money is going to be a problem. This comes as a surprise to our clients." What was he telling you?

A He said that money was a problem; that always in the past it had not been a problem. You know, once the item had been approved there was adequate money to do it. And they had not expected that money was going to be a problem but money was.

In other words, I take it, they were affected by Gramm-Rudman and by the budgetary constraints. And I think that's good. He didn't think it was bad either, from a value judgment standpoint. It's just it came as a surprise to them that money was going to be a problem this year.

Q And it would be a problem for the CIA, is what you are telling me?

A Right. In other words, they would have to be --

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and I was very glad to get that information because it meant we would have to be very competitive on the prices. It would mean you'd have to make very judicious buys and you would want to make sure you got the most for the dollar; that you didn't buy junk.

Barbara's thesis, and we should get it on the record, was that the other suppliers sold old, rusty junk. That is not what -- and I believe that because she had a great deal of knowledge. She knew all these people, meeting talking with them, traveling around to the different countries, looking at warehouses that I had never seen.

So, when she told me this I believed her and I believe that she said we can come in -- we'll do it at, and she would give certain quotes. And nobody -- she'd bang her fingernail on the table. Nobody can supply those weapons for those prices.

[redacted]

Q You say that money is a major problem. You underline "major". And then you say "my guess," combination of scarce funds coupled with deliberate desire by senior officials to interdict virtually all initiatives until local

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dust settles?

A Right.

Q What does that mean?

A The scarce funds, from Gramm-Rudman and funding stream which was affecting all government agencies and I believe then and now that the senior officials in the White House, in the interagency arena that would be responsible for giving the green light, and certainly the Congress, the overwatch and oversight committees, were just not wanting to unleash any more initiatives when they had an absolute confusion of facts and data and who shot John and who did what to whom over the Iran, and then as we learned the Contra business.

So I think it was reasonable that the high officials would do that. I certainly would, if I were in her position.

I would say well, wait, don't start anything else until we find out what we've got here. That's not always the best thing from a foreign policy or national security policy, but certainly what I would do if I were a senior official, again, and I assume that it is what they were doing. And I had been told that, too: I think maybe [redacted] and I had

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a mutual agreement that that was it, on speculation. Or maybe he told me.

But I was hearing that from others and I knew how the government works.

Q Now --

A The first thing, if you don't know what's going on, is don't do any more of it or don't do any analog programs in other areas until you sort out the mess you've got in the one that you know went wrong or think went wrong.

Q That passage goes on to say, "however, we are still promised the $4 million to $17 million package which stands apart from other inertia." What did you mean by that?

A Well, you can see I've mixed the metaphor beautifully there. I don't know how inertia stands apart or how something stands apart from inertia, but if you'll forgive me that rhetorical blunder -- what we are saying there is that we are still promised a list to price [redacted] [redacted] We are not promised a single source procurement.

Q You had not been promised by [redacted] that the contract would go to you?

A No, no. Of course not. What he promised us is

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he'd give us a list to price.

Remember I'm writing in shorthand. You are having trouble reading it because it is so telegraphic.

Q I just don't want anybody to misunderstand what is going on.

A This isn't even a memo for Barbara. This is just a memo for the file, more of a memo for me than anything else.

Then I'm saying, what I'm telling myself and the entity, corporate entity of GMT, is that we are going to get the package to price and that that will happen, apart from all the paralysis. Once -- even if there is no action on the list to approve the list, we'll get a list to price. That's what that is saying in shorthand.

You may never get it approved, but you'll get it to price.

Q There are a couple of others. The Graham matter you have described?

A The MIG-21s.

Q I --

A Burbank seven I described.

Q Yes. You say "some skepticism shared by us on

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whether we have the bottom price."

A Right.

Q What did [redacted] tell you on that score? That you looked high? Or how much fat was there? What was he talking about?

A No, no, I think he just wondered. We were told in glowing detail by Graham that this was the absolute rock bottom price. I questioned this.

You know, any time somebody starts out by telling you this is the bottom price and the one thing that isn't negotiable is this price, that's the first price they give you, it has got to be negotiable. So I explained all this to

[redacted]

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couldn't manage the aircraft, they were so sophisticated. It just kind of sat on the runway. If it had been that country they would have been in very good condition.

Then it was very significant to me because we were told: If they are going to a country in Latin America, they've got a good prospect in Latin America. I told you before there could only be three, Cuba, Nicaragua or Peru, not in our interest to see them go to any one of the three.

So I questioned whether an [redacted] country that was unloading MIGs on the so-called bottom price couldn't go lower if you offered cash. Because I knew if they sold them anywhere in Latin America it would be some kind of barter, financing, credit arrangement that would be very tenuous.

If you would pay cash, which this client would, you know, through a letter of credit, it would be instant -- if you could come in and say: Never mind the price. We are willing to give you what you are asking, whatever you have in mind, how you are going to be paid, sugar cane or cigars or rum or textiles -- we will give you so much in hard currency, I think you would have had a deal right away.

Q Werner's two to eight items are the two to eight

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[redacted]

A Right.

Q The Burbank seven are the helicopters?

A Right.

Q And as I understand your notes, you say [redacted]

Q My problem is --

A I don't want to go on record before the Committe as saying Bob Schweitzer thinks something over $2.5 million is cheap but relatively speaking, for aircraft, those would go in the Army today, brand new for a million a copy.

Q You say "money is sole problem. Competing needs are food and footwear."

What is being talked about here? The CIA doesn' need food and footwear?

A No. No. That would be the unnamed client and would have deduced then it was the Contras because, rememb

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I was trying to advance these for the Contras. I think [redacted] and I, without ever mentioning it, would have shared tacitly a view, that the Contras didn't need more guns or even more bullets. What they needed was footwear and food and people programs for their own families and training. I would add communications and certainly a mobility differential.

Q Essentially, he told you that your price range of $3 million plus or minus looked reasonable to him; correct?

A Oh, yes. See at that time I was giving, quoting him a price, I think, of -- this an earlier document as you noted -- I think we were right around 3.1 or 3.2, and I told him it would go down and then we took it down to 2.9, 2. 7, and I took it orally, with Barbara's permission to 2.5 or 2.4; I forget which. I hate to put something on the record which would then make her wince --

Q [redacted]

A And also the $55,000 would get transportation of the spares. First of all, I didn't want to tell him where it was, in Burbank, California, but it would have been zero for a California delivery or nearly zero and

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55 to Miami. That was what we figured it on.

That's quite a bit. If you are in any kind of transportation, even it it's Safeway supplies, an awful lot of your food price is in moving it. [redacted]

Q How were you planning to transport it for $55,000? Ship or air? What did you have in mind?

A Probably by ship. You had the water right there, but it could have gone by -- broken down by big commercial vans.

Q Did you have a specific mode of delivery in mind for the $55,000 figure?

A No, because the buyer was going to do that for us.

Let's see, as I think about it that would put it through the Panama canal. I would doubt you could do that

Q The buyer or seller?

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A Seller. The seller would move it to Miami -- probably by truck, van.

Q I'm with you.

A It is amazing how cheaply you can move stuff across the country.

Q Anything else you recollect about that meeting with [redacted]

A No. Except I think that it bears out his efforts and mine to go low and what some of the constraints were.

The one document I wish were here were some graphic representation of my insistence on the propriety of competitive bidding and the fact that if we didn't win out on competitive bidding, we didn't deserve to win.

Q But you, in any event, communicated that to Ms. --

A Yes. Many times.

Q She felt she ought to get the benefit of the sole source contract?

A Yes, because she was Barbara Studley and had all these contacts and had done this and she kept bringing up the $100,000 shipment. I told her, in the United States Government, there aren't any rewards for past favors. It's what have you done for us lately and what she had to do for

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us lately is same thing any airborne company does. Each morning they have start out, each maneuver, each exercise, everything starts from scratch. You can't rest on any laurels.

Besides I pointed out to her there was no obligation on the United States Government's part to underwrite or repay her for what had been done supposedly as a private venture which she had told me originally was altruistically done with no hope of gain and it became increasingly clear that there was nothing but a hope of gain from undertaking that. There's nothing wrong with that.

MR. KERR: General, on behalf of the committee, I do want to thank you. You have been through some long sessions with me and I appreciate your patience and your help.

THE WITNESS: I would put on the record that I admire and appreciate your professionalism and the honest and fair and objective way that I believe you have attempted to get to the bottom of a very difficult story.

I do think that, although I did not want to get into answering some of your questions and had my assessment of you been different from what it was, I might not have

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answered them -- I have been very candid and very complete in answering everything to the point where we have put a great deal of information that could be very derogatory to GMT and Barbara Studley. If they have done no wrong, I would like to see all of this sealed.

MR. KERR: The Committee's program on this is these depositions are shown to no one but the staff. Obviously, in terms of facts that come out that have to be brought to the attention of witnesses for their comment; that will have to be done.

THE WITNESS: I understand. I think I also would like to add that I don't know of anything in Dr. Cline's character or past service to the government, or since he has left the government, that would indicate that he would do anything that was improper, let alone dishonest or illegal. And I would believe because I know him so well, I believe that the voluntary statements he made to you are true as to how little he has had to do with the agency on this matter.

And --

MR. KERR: I don't mean to suggest any conclusion in that regard.

THE WITNESS: But if you want to put that on as a character witness for him; I don't believe he would do anything wrong.

As a last comment I would say Barbara has a profit motive that's high and higher than, perhaps, you or I would like to see in a person who is brokering these deals. The fact remains she has been in business for a longer period of time, you tell me, than I thought she had and she has made no money. So her efforts to make up for past business failures, or the inability to complete a transaction, is not unreasonable and I think that other sources are certainly higher. We found -- I found that out in dealing with them. I can't speak to [redacted] four sources. But, clearly where I came out was whoever had the lowest bid should get the contract. Nobody should get it because they knew somebody or were friends with somebody in the White House or the agency. And I don't believe Mr. Casey would operate any differently, either.

You know, what you say to somebody in an interview: I shall have my people look into this -- means exactly that. If you have low prices, which I believe the quoted conversation was an accurate rendition of it, that that's what Mr. Casey believed. He would send it out. If

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his people came back and said they are twice as much as our present suppliers are, he would tell them forget about it. I don't believe Mr. Casey operated on a personal favors basis with anybody, in the dealings I had with him starting 1981, he impressed me as a very solid man who restored morale as well as integrity in operational effectiveness to the agency, in intelligence-gathering effectiveness that it unhappily lost without making any judgments about those who were responsible for the diminution of it.

MR. KERR: Let me do one thing on the record. It's always case with these things, we now have two exhibits 12. The first Exhibit 12 was the September 2, 1986 material relating to Patrice. 12-A will be the October 30, 1986 letter from Mr. -- from General Schweitzer to [redacted]

(Exhibit 12 was remarked as 12-A.)

THE WITNESS: I guess my last comment is what does disturb me and I mentioned this to you there we were off the record is the amount of material that you have revealed to me that GMT was involved in that I never knew anything about, and that bothers me because it would seem to me that if it were all straightforward, innocent, I would have been told about it or brought into it in some way.

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MR. KERR: I appreciate that. Let's go off the record.

(Discussion off the record.)

(Whereupon, at 2:40 p.m., the deposition was concluded at 2:40 p.m.)

ROBERT L. SCHWEITZER

UNCLASSIFIED

NC DATE

E X 0235

PERSONAL AND CONFIDENTIAL

Mr. William Casey
Director, Central Intelligence Agency
Langley, Virginia

Dear Bill,

The enclosed list of hardware is available for immediate delivery at the prices indicated. The list was developed in conjunction with a member of the NSC who is knowledgeable of the urgent needs of the United Nicaraguan Opposition with which the US has a continuing interest. The items can be at dockside, ready for shipment within two weeks from the date of a Letter of Credit or the deposit of actual funds.

Due to the fact the funds from Congress will not be available until after September, our bank in Switzerland, will accept a Letter of Credit from your bank and issue a loan for six to twelve months, or as needed. Our bank will fund immediately for the purchase of the listed items, thus providing the equipment that is so desperately needed now while allowing for payment at a later date.

Our banker is prepared to fly to Washington and take care of the Letter of Credit directly with your designated bank. This eliminates all bank tested telexes or paper trails. The loan can be in the name of a corporation of your choice. It is not necessary for our bank to know your identity, only your banker.

Our bank has been exceptionally discreet in processing our transactions in the past. At the close of the transactions, the bank file will only show corporations, numbered items and amounts. No reference will be made of the specific items involved in the transaction, nor of the individuals or actual organizations involved.

Please let me know as soon as possible your desires for our future actions on this matter.

Yours truly,

5685

[redacted] Declassified/Released on 5FEB88
under provisions of E.O. 12356
by K. Johnson, National Security Council

Jack

John K. Singlaub
Major General, U.S. Army (RET)
Consultant

DEPOSITION EXHIBIT 1
SCHNEITZER
4-27-87

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1 Incl: a/s

GeoMiliTech Consultants Corporation
Suite 300, 1919 Pennsylvania Avenue, N.W. / Washington, D.C., U.S.A. 20006 • (202) 887-0516 / Telex: 904278 GMT Wash. D.C.

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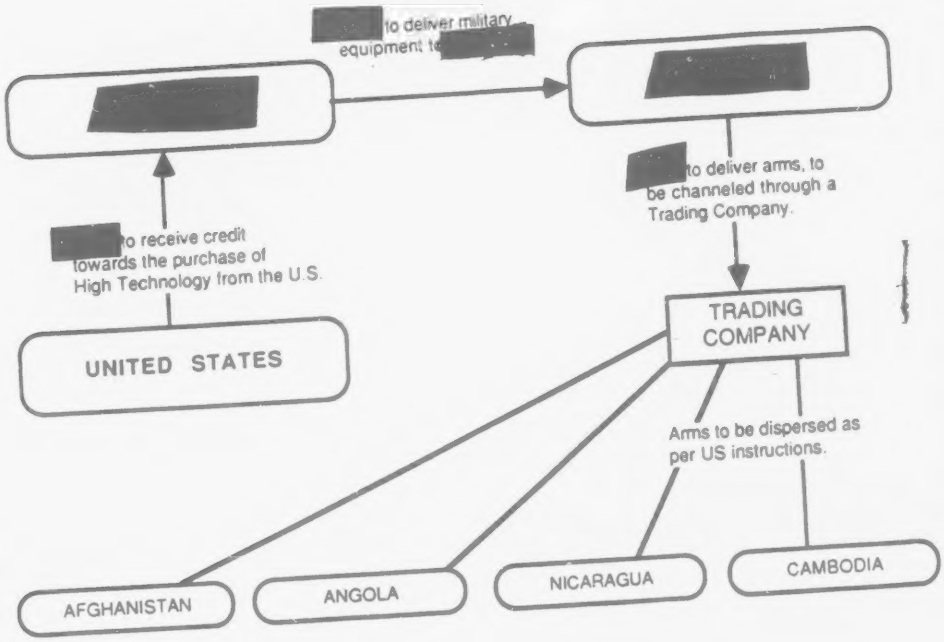
NO DATE

X 0236

3 WAY TRADE


[redacted] to deliver military equipment to [redacted]
[redacted]
[redacted]
[redacted] to deliver arms, to be channeled through a Trading Company.
[redacted] to receive credit towards the purchase of High Technology from the U.S.
UNITED STATES
TRADING COMPANY
Arms to be dispersed as per US instructions.
AFGHANISTAN
ANGOLA
NICARAGUA
CAMBODIA

Partially Declassified/Released on 8FEB88
under provisions of E.O. 12356
by K. Johnson, National Security Council

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DEPOSITION EXHIBIT 2
SCHWEITZER
4-27-87

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E X 0237

4. RESULTS

[redacted] sells equipment, which in many cases sits stockpiled at present, to [redacted]. In return [redacted] receives from the United States equipment and technology that it could not otherwise afford to purchase.

[redacted] receives much-needed modernization for its forces, thereby presenting a stronger threat to the Soviet Union. In return [redacted] exports an ongoing supply of domestically manufactured arms, as per directions from the United States.

The United States then has at its disposal a large and continuous supply of Soviet technology and weapons to channel to Freedom Fighters worldwide, mandating neither the consent or awareness of the Department of State or Congress.

The United States would be in a position to dispense these shipments through a neutral Foreign Trading Company, established solely for this purpose.

[redacted] would only be aware of the fact that it is to ship to the Trading Company such specified goods as requested, comparable in USD value to the equipment received from [redacted] would not be aware of the final destinations of any of the exported arms.

[redacted] would only be aware of the buying power extended by the United States for US technology, again in comparable USD value to the equipment sent to [redacted]

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Robert Schweitzer (27Apr87)
Exhibit 3 (1pg)

DENIED IN
TOTAL

5687

UNCLASSIFIED

Robert Schweitzer (27 Apr 87)
Exhibit 4 (1 pg)

DENIED IN
TOTAL

5688

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11 JAN87

E X O

[illegible] January 1987

Good morning,

What is my personal judgement is that [illegible] frustrated with this matter. [illegible] once again contacted the suppliers, [illegible] I know how much time and money has been spent so far.

This is the result, subject to prior sale and based on a Dollar DM Exchange Rate of 1,00 : 1,83 (9 January 1987):

Item no.1: new stock-old production,
per piece 149,[illegible]
-new production 1[illegible]

no.2: -no quotation at your price available

no.3: -no quotation at your price available

no.4: new stock [illegible]
-new production 15.[illegible]

no.5: new stock, but not for a small quantity of [illegible] [illegible]
-new production 1.750,00

no.6: -single version not available
-twin version 28.[illegible],00

no.7: (SEE ITEM No.1

no.8: new stock 240,00
-new production 41[illegible]

no.9: -no quotation at your price available

no.10: new production [illegible]

no.11: -quotation for [illegible] material will follow, if they can locate something in stock
-new production [illegible]

no.12: -quotation will follow, if they can locate material in stock
-new production 1[illegible]

* no.13: -only new production ([illegible]).. there might be a chance for a s m a l l price reduction, if your customer places an order, but your price of [illegible] is unrealistic. 154.500,[illegible]

* no.14: -no quotation before September 1987

* no.15: -no quotation at your price available

no.16: -no quotation at your price available

* no.17: -no old production available
-new production (ie. current production, 4-5 months delivery time) 14.5[illegible]

* no.18: -new production [illegible]

* no.19: -model [redacted]
new production 3.[illegible]
-model [redacted] at your price not available

* no.20: -model [redacted] new production only 5.5[illegible]

* no.21: new production 590,[illegible]

Best regards,
Werner

PS:
* "YOUR PRICE" means: the prices which you quoted in your [illegible] of 9 January.
* "NO QUOTATION AT YOUR PRICE AVAILABLE" means "presently" not available. As you know, I need, before I push the suppliers too hard, some sort of evidence that your customer has funds available. ****

5689

Partially Declassified/Released on [illegible]
under provisions of E.O. 12356
by K. Johnson, National Security Council

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DEPOSITION
EXHIBIT 5
SCHWEITZER
4-27-87

Annotated per Phone call

Like Item 19. No price give on Model [redacted] because it is slight variation of [redacted]

Like Item 20 Model [redacted] is correct: [redacted]

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Robert Schweitzer (27 Apr 87)

Exhibit 6 (1pg)

DENIED IN
TOTAL

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Robert Schweitzer 27Apr87
Exhibit 7 (8pgs)

DENIED IN
TOTAL

5691

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9 JAN 87

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X 0242

WERNER, 09 JAN 87

LINE ITEM 3:
SHOULD READ 'ROMANIAN FPK SUB-MACHINEGUN'. IGNORE DESIGNATION OF "54mm"

NEW LINE-ITEM 21:
THE 2nd LINE OF ORIGNIAL LINE-ITEM 2 WAS SUPPOSED TO BE A SEPARATE LINE-ITEM. SHOULD READ "QUANTITY:5. LINKING MACHINE FOR 12.7mm AMMO"

CLIENT STATES OUR PRICES MUCH TOO HIGH, AND UNLESS WE COME DOWN, HE WILL BE FORCED TO GO ELSEWHERE. FOLLOWING QUOTES ARE AVAILABLE ON CURRENT MARKET FROM RELIABLE SUPPLIERS. QUOTES FOR ITEMS 1-5 WILL BE EVEN LOWER THAN SHOWN DUE TO VOLUME.

PRICE LINES WE MUST BEAT FOR BRAND NEW EQUIPMENT.

1. [illegible]
2. 360
3. 125
4. 10,800
5. 1,060
6. 14,000
7. 132
8. 248
9. 240
10. 1,750
11. 700 FOR EITHER NFD OR PK
12. 171
13. 34,000 FOR SET 1-3
14. NOT AVAILABLE
15. 1,050
16. 2,800
17. 13,200
18. 7,025
19. 2,950
20. 5,800
21. 975 FOR LINKING MACHINE.

WE HAVE PRICES OUT OF [redacted] THAT COME CLOSE TO SOME OF THESE PRICES. CLIENT IS READY TO PLACE COMPLETE ORDER FOR 21 ITEMS, BUT ONLY IF PRICES ARE RIGHT. THEY WANT TO DO BUSINESS WITH BOB, BUT ONLY IF PRICES ARE RIGHT.

PRICES QUOTED INCLUDE COST OF INSURANCE, BUT NOT SHIPPING.

PLEASE ADVISE AS SOON AS POSSIBLE.

REGARDS,
EHPE

5692

Partially Declassified/Released on 8 JUN 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

DEPOSITION EXHIBIT 8
SCHWE 172 & 173
4-27-87

UNCLASSIFIED

5 FEB 87

UNCLASSIFIED E X 0245

RDS	100MM COMBAT OEC MODEL F1 W/OU/FZ	1360
RDS	105MM SMK BURSTING	12000
RDS	105MM HE FUSED	41710
RDS	105MM HE PLUGED	6000
RDS	105MM ILLUMINATING	3000
RDS	105MM T/INDICATING RED; 602 YELLOW;629.	
RDS	106MM HEAP HE	300
RDS	106MM HEAT	480
RDS	20MM HE/I TYPE SSB/K	20000
RDS	20MM OERLIKON API/T KAA	5472
RDS	20MM OERLIKON HEIT KAA	5472
RDS	20MM OERLIKON SAPHEI/T KAA	5472
RDS	20MM OERLIKON TP/T FOR GUN TYPE KAA	50000
RDS	20MM OERLIKON TP/T KAA	6840
RDS	30MM HE/T	2600
RDS	30MM PRACTICE TRACER	23000
RDS	30MM SAP/HEI	3000
RDS	40MM 70 CAL HE FZD DA	10000
RDS	40MM 70 CAL SHORT BREAK UP	30000
RDS	5.56MM TRACER	400000
RDS	50MM TRACER SPOTTER	13496
RDS	57MM 70 CAL HE FUSE PROXIMITY	4000
RDS	57MM 70 CAL PRACTICE	3250
RDS	7.62MM MIXED BELT FOR 4 BALL 1 TRACER	20000000
RDS	7.62MM SUB CAL TRACER	53792
RDS	84MM HE	21134
RDS	84MM HEAT	4000
RDS	90MM CANISTER COCKERILL	28
RDS	90MM HEAT TP/T	7108
RDS	90MM HEAT/T COCKERILL	2680
RDS	90MM HESH/T COCKERILL	4824
RDS	90MM SMOKE WP COCKERILL	56
RDS	SUB CALIBRE 81MM"60MM MOR CHG 0"CHG 1"2"2 /	30000 EACH
SHELL	4.5 INCH APP SMOKE/FLASH FUSE	100
SHELL	4.5 INCH MARKER	50
SHELL	4.5 INCH REI/J	132
SHELL	4.5 INCH STAR	720
TUBE VENT ELETRICS 0.5 INCH		720

-SIGHT GRATICULE TYPE FOR VAX 802 FOR OERLIKON GAM-B01 AND C01 20MM NAVAL GUNS. AN OPEN SIGHT WITH HEAD REST, GRATICULE, ANTI-GLARE FILTER AND RANGE BARS FOR TAGETS UP TO 2000METERS IT INDICATES DEFLECTIONS FOR AIR SURFACE TAGETS, BOTH CROSSING AND APROACHING.

BEST REGARDS
ARE YOU RECEVER?
RDS SUB CAL. FOR 81MM"60MM MOR CHG SHEL. BE 0"1"2"3
GGGG
TO REPLY FROM TELEX I OR II (TWX) DIAL 100 FROM EASYLINK USE /WUW.
EST 1620 FEB/05/1987

DISCONNECTED - FEB 5, '87 5:22.31 PM

Partially Declassified/Released on 8 FEB 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

5693

DEPOSITION EXHIBIT 9
SCHWEITZER
4-27-87

UNCLASSIFIED

X 0244

RDS	100MM COMBAT QEC MODEL F1 W/OU/FZ	1360
RDS	105MM SMK BURSTING	12000
RDS	105MM HE FUSED	41710
RDS	105MM HE PLUGED	6000
RDS	105MM ILLUMINATING	3000
RDS	105MM T/INDICATING RED; 602 YELLOW;629.	
RDS	106MM HEAP HE	300
RDS	106MM HEAT	480
RDS	20MM HE/I TYPE SSB/K	20000
RDS	20MM OERLIKON API/T KAA	5472
RDS	20MM OERLIKON HEIT KAA	5472
RDS	20MM OERLIKON SAPHEI/T KAA	5472
RDS	20MM OERLIKON TP/T FOR GUN TYPE KAA	50000
RDS	20MM OERLIKON TP/T KAA	6840
RDS	30MM HE/T	2600
RDS	30MM PRACTICE TRACER	23000
RDS	30MM SAP/HEI	3000
RDS	40MM 70 CAL HE FZD DA	10000
RDS	40MM 70 CAL SHORT BREAK UP	30000
RDS	5.56MM TRACER	400000
RDS	50MM TRACER SPOTTER	13496
RDS	57MM 70 CAL HE FUSE PROXIMITY	4000
RDS	57MM 70 CAL PRACTICE	3250
RDS	7.62MM MIXED BELT FOR 4 BALL 1 TRACER	20000000
RDS	7.62MM SUB CAL TRACER	53792
RDS	84MM HE	21134
RDS	84MM HEAT	4000
RDS	90MM CANISTER COCKERILL	28
RDS	90MM HEAT TP/T	7108
RDS	90MM HEAT/T COCKERILL	2680
RDS	90MM HESH/T COCKERILL	4824
RDS	90MM SMOKE WP COCKERILL	56
RDS	SUB CALIBRE 81MM"60MM MOR CHG 0"CHG 1"2"2	30000 EACH
SHELL	4.5 INCH APP SMOKE/FLASH FUSE	100
SHELL	4.5 INCH MARKER	50
SHELL	4.5 INCH REI/J	132
SHELL	4.5 INCH STAR	720
TUBE VENT ELETRICS 0.5 INCH		720

-SIGHT GRATICULE TYPE FOR VAX B02 FOR OERLIKON GAM-B01 AND C01 20MM NAVAL GUNS. AN OPEN SIGHT WITH HEAD REST, GRATICULE, ANTI-GLARE FILTER AND RANGE BARS FOR TAGETS UP TO 2000METERS IT INDICATES DEFLECTIONS FOR AIR SURFACE TAGETS, BOTH CROSSING AND APROACHING.

BEST REGARDS

ARE YOU RECEVER?

RDS SUB CAL. FOR 81MM"60MM MOR CHG SHEL. BE 0"1"2"3

GGGG

TO REPLY FROM TELEX I OR II (TWX) DIAL 100 FROM EASYLINK USE /WUW.

EST 1620 FEB/05/1987

DISCONNECTED - FEB 5, '87 5:22.31 PM

[redacted] TLX 36833

CALBAR WSH UNCLASSIFIED

X 024

TO GRAHAM LOWE

DESCRIPTON	QTY
ADAPTOR SCARE CHARGE	1000
CARTRIDGES ANTI SUBMARINE PROJECTILE 11OZ 4 GR	6120
CART BLANK 105MM	2000
CART BLANK 5.56MM	16000000
CART CLARING 40MM 70CALL	2500
CART ILLMINATING 1INCH/26.5MM	20000
CART IRRITANT CS 1.5 INCH A/RIAT	8000
CART PRIMARY 81MM MORTAR	35800
CART SIGNAL 1 INCH/26.5MM GREEN 17000 AND RED	14000
DETONATOR DEMOLION ELECT SCARE CHARGE NO 70NK	1000
DET. DEMO SCARE CHG. NO. 80	1000
DET. PERCUSSION SCARE CHG. NO. 5	664
FUSE DM-ME TYPE 63 LR 100F1	1000
FUSE NOSE PERCUSSION DA AND DELAY V19PA	35800
FUSE PROXIMITY TYPE MODEL F2	540
GRENADE HAD SMOKE BLUE/RED/YELLOW	30000 OF EACH
GRENADE DISCHARGER 76MM SMOKE	372
MARKERS SMOKE WHITE ANTI SUBMARINE NO.3	1000
MINE DISPOSAL BOMB	16
PROJECTILE ANTI SUBMARINE HE	25
ROCKETS FLARE 57MM CPMPLETED	3000
ROUNDS 22 INCH BALL	4000000
RDS 100MM COMBAT QEC MODEL F1 W/OU/FZ	1360
RDS 105MM SMK BURSTING	12000
RDS 105MM HE FUSED	41710
RDS 105MM HE PLUGED	6000
RDS 105MM ILLUMINATING	3000
RDS 105MM T/INDICATING RED; 602 YELLOW;629.	
RDS 106MM HEAP HE	300
RDS 106MM HEAT	480
RDS 20MM HE/I TYPE SSB/K	20000
RDS 20MM OERLIKON API/T KAA	5472
RDS 20MM OERLIKON HEIT KAA	5472
RDS 20MM OERLIKON SAPHEI/T KAA	5472
RDS 20MM OERLIKON TP/T FOR GUN TYPE KAA	50000
RDS 20MM OERLIKON TP/T KAA	6840
RDS 30MM HE/T	2600
RDS 30MM PRACTICE TRACER	23000
RDS 30MM SAP/HEI	3000
RDS 40MM 70 CAL HE FZD DA	10000
RDS 40MM 70 CAL SHORT BREAK UP	30000
RDS 5.56MM TRACER	400000
RDS 50MM TRACER SPOTTER	13496
RDS 57MM 70 CAL HE FUSE PROXIMITY	4000
RDS 57MM 70 CAL PRACTICE	3250
RDS 7.62MM MIXED BELT FOR 4 BALL 1 TRACER	20000000
RDS 7.62MM SUB CAL TRACER	53792
RDS 84MM HE	21134
RDS 84MM HEAT	4000
RDS 90MM CANISTER COCKERILL	28
RDS 90MM HEAT TP/T	7108
RDS 90MM HEAT/T COCKERILL	2680
RDS 90MM HESH/T COCKERILL	4824
RDS 90MM SMOKE WP COCKERILL	56
RDS SUB CALIBRE 81MM"60MM MOR CHG 0"CHG 1"2"2	30000 EACH
SHELL 4.5 INCH APP SMOKE/FLASH FUSE	100
SHELL 4.5 INCH MARKER	50
SHELL 4.5 INCH REI/J	132
SHELL 4.5 INCH STAR	720
TUBE VENT ELETRICS 0.5 INCH	720

-SIGHT GRATICULE TYPE FOR VAX B02 FOR OERLIKON GAM-B01 AND C01 20MM NAVAL GUNS. AN OPEN SIGHT WITH HEAD REST, GRATICULE, ANTI-GLARE FILTER AND RANGE BARS FOR TAGETS UP TO 2000METERS IT INDICATES DEFLECTIONS FOR AIR SURFACE TAGETS, BOTH CROSSING AND APROACHING.

BEST REGARDS

ARE YOU RECEVER?

RDS SUB CAL. FOR 81MM"60MM MOR CHG SHEL. BE 0"1"2"3

GGGG

TO REPLY FROM TELEX I OR II (TWX) DIAL 100 FROM EASYLINK USE /WUW.

EST 1620 FEB/05/1987

DISCONNECTED - FEB 5, '87 5:22.31 PM

UNCLASSIFIED

CALBAH WSH UNCLASSIFIED [redacted] TLX 36833 [redacted]

TO GRAHAM LOWE

X 02

DESCRIPTON	QTY
ADAPTOR SCARE CHARGE	1000
CARTRIDGES ANTI SUBMARINE PROJECTILE 11OZ 4 GR	120
CART BLANK 105MM	2000
CART BLANK 5.56MM	16000000
CART CLARING 40MM 70CALL	2500
CART ILLMINATING 1INCH/26.5MM	20000
CART IRRITANT CS 1.5 INCH A/RIAT	8000
CART PRIMARY 81MM MORTAR	35800
CART SIGNAL 1 INCH/26.5MM GREEN 17000 AND RED	14000
DETONATOR DEMOLION ELECT SCARE CHARGE NO 70NK	1000
DET. DEMO SCARE CHG. NO. 80	1000
DET. PERCUSSION SCARE CHG. NO. 5	664
FUSE DM-ME TYPE 61 LR 100F1	1000
FUSE NOSE PERCUSSION DA AND DELAY V19PA	35800
FUSE PROXIMITY TYPE MODEL F2	540
GRENADE HAD SMOKE BLUE/RED/YELLOW	30000 OF EACH
GRENADE DISCHARGER 76MM SMOKE	372
MARKERS SMOKE WHITE ANTI SUBMARINE NO.3	1000
MINE DISPOSAL BOMB	16
PROJECTILE ANTI SUBMARINE HE	25
ROCKETS FLARE 57MM CPMPLETED	3000
ROUNDS 22 INCH BALL	4000000
RDS 100MM COMBAT QEC MODEL F1 W/DU/FZ	1360
RDS 105MM SMK BURSTING	12000
RDS 105MM HE FUSED	41710
RDS 105MM HE PLUGED	6000
RDS 105MM ILLUMINATING	3000
RDS 105MM T/INDICATING RED; 602 YELLOW;629.	
RDS 106MM HEAP HE	300
RDS 106MM HEAT	480
RDS 20MM HE/I TYPE SSB/K	20000
RDS 20MM OERLIKON API/T KAA	5472
RDS 20MM OERLIKON HEIT KAA	5472
RDS 20MM OERLIKON SAPHEI/T KAA	5472
RDS 20MM OERLIKON TP/T FOR GUN TYPE KAA	50000
RDS 20MM OERLIKON TP/T KAA	6840
RDS 30MM HE/T	2600
RDS 30MM PRACTICE TRACER	23000
RDS 30MM SAP/HEI	3000
RDS 40MM 70 CAL HE FZD DA	10000
RDS 40MM 70 CAL SHORT BREAK UP	30000
RDS 5.56MM TRACER	400000
RDS 50MM TRACER SPOTTER	13496
RDS 57MM 70 CAL HE FUSE PROXIMITY	4000
RDS 57MM 70 CAL PRACTICE	3250
RDS 7.62MM MIXED BELT FOR 4 BALL 1 TRACER	20000000
RDS 7.62MM SUB CAL TRACER	53792
RDS 84MM HE	21134
RDS 84MM HEAT	4000
RDS 90MM CANISTER COCKERILL	28
RDS 90MM HEAT TP/T	7108
RDS 90MM HEAT/T COCKERILL	2680
RDS 90MM HESH/T COCKERILL	4824
RDS 90MM SMOKE WP COCKERILL	56
RDS SUB CALIBRE 81MM"60MM MOR CHG 0"CHG 1"2"2	30000 EACH
SHELL 4.5 INCH APP SMOKE/FLASH FUSE	100
SHELL 4.5 INCH MARKER	50
SHELL 4.5 INCH REI/J	132
SHELL 4.5 INCH STAR	720
TUBE VENT ELETRICS 0.5 INCH	720

SIGHT GRATICULE TYPE FOR VAX B02 FOR OERLIKON GAM-B01 AND C01 20MM NAVAL GUNS. AN OPEN SIGHT WITH HEAD REST, GRATICULE, ANTI-GLARE FILTER AND RANGE BARS FOR TAGETS UP TO 2000METERS IT INDICATES DEFLECTIONS FOR AIR SURFACE TAGETS, BOTH CROSSING AND APROACHING.

BEST REGARDS

ARE YOU RECEVER?

RDS SUB CAL. FOR 81MM"60MM MOR CHG SHEL. BE 0"1"2"3

GGGG

TO REPLY FROM TELEX I OR II (TWX) DIAL 100 FROM EASYLINK USE /WUW.

EST 1620 FEB/05/1987

DISCONNECTED - FEB 5, '87 5:22.31 PM

UNCLASSIFIED

[redacted]

TLX 36833 [redacted]

CALBAR WSH

UNCLASSIFIED

TO GRAHAM LOWE

DESCRIPTON	QTY
ADAPTOR SCARE CHARGE	1000
CARTRIDGES ANTI SUBMARINE PROJECTILE 11OZ 4 GR	120
CART BLANK 105MM	2000
CART BLANK 5.56MM	16000000
CART CLARING 40MM 70CALL	2500
CART ILLMINATING 1INCH/26.5MM	20000
CART IRRITANT CS 1.5 INCH A/RIAT	8000
CART PRIMARY 81MM MORTAR	35800
CART SIGNAL 1 INCH/26.5MM GREEN 17000 AND RED	14000
DETONATOR DEMOLION ELECT SCARE CHARGE NO 70NK	1000
DET. DEMO SCARE CHG. NO. 80	1000
DET. PERCUSSION SCARE CHG. NO. 5	664
FUSE DM-ME TYPE 61 LR 100F1	1000
FUSE NOSE PERCUSSION DA AND DELAY V19PA	35800
FUSE PROXIMITY TYPE MODEL F2	540
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GRENADE DISCHARGER 76MM SMOKE	372
MARKERS SMOKE WHITE ANTI SUBMARINE NO.3	1000
MINE DISPOSAL BOMB	16
PROJECTILE ANTI SUBMARINE HE	25
ROCKETS FLARE 57MM CPMPLETED	3000
ROUNDS 22 INCH BALL	4002000
RDS 100MM COMBAT QEC MODEL F1 W/OU/FZ	1360
RDS 105MM SMK BURSTING	12000
RDS 105MM HE FUSED	41710
RDS 105MM HE PLUGED	6000
RDS 105MM ILLUMINATING	3000
RDS 105MM T/INDICATING RED; 602 YELLOW;629.	
RDS 106MM HEAP HE	300
RDS 106MM HEAT	480
RDS 20MM HE/I TYPE SSB/K	20000
RDS 20MM OERLIKON API/T KAA	5472
RDS 20MM OERLIKON HEIT KAA	5472
RDS 20MM OERLIKON SAPHEI/T KAA	5472
RDS 20MM OERLIKON TP/T FOR GUN TYPE KAA	50000
RDS 20MM OERLIKON TP/T KAA	6840
RDS 30MM HE/T	2600
RDS 30MM PRACTICE TRACER	23000
RDS 30MM SAP/HEI	3000
RDS 40MM 70 CAL HE FZD DA	10000
RDS 40MM 70 CAL SHORT BREAK UP	30000
RDS 5.56MM TRACER	400000
RDS 50MM TRACER SPOTTER	13496
RDS 57MM 70 CAL HE FUSE PROXIMITY	4000
RDS 57MM 70 CAL PRACTICE	3250
RDS 7.62MM MIXED BELT FOR 4 BALL 1 TRACER	20000000
RDS 7.62MM SUB CAL TRACER	53792
RDS 84MM HE	21134
RDS 84MM HEAT	4000
RDS 90MM CANISTER COCKERILL	28
RDS 90MM HEAT TP/T	7108
RDS 90MM HEAT/T COCKERILL	2680
RDS 90MM HESH/T COCKERILL	4824
RDS 90MM SMOKE WP COCKERILL	56
RDS SUB CALIBRE 81MM"60MM MOR CHG 0"CHG 1"2"3	30000 EACH
SHELL 4.5 INCH APP SMOKE/FLASH FUSE	100
SHELL 4.5 INCH MARKER	50
SHELL 4.5 INCH REI/J	132
SHELL 4.5 INCH STAR	720
TUBE VENT ELETRICS 0.5 INCH	720

SIGHT GRATICULE TYPE FOR VAX 802 FOR OERLIKON GAM-B01 AND C01 20MM NAVAL GUNS. AN OPEN SIGHT WITH HEAD REST, GRATICULE, ANTI-GLARE FILTER AND RANGE BARS FOR TAGETS UP TO 2000METERS IT INDICATES DEFLECTIONS FOR AIR SURFACE TAGETS, BOTH CROSSING AND APROACHING.

BEST REGARDS

ARE YOU RECEVER?

RDS SUB CAL. FOR 81MM"60MM MOR CHG SHEL. BE 0"1"2"3

GGGG

TO REPLY FROM TELEX I OR II (TWX) DIAL 100 FROM EASYLINK USE /WUW.

EST 1620 FEB/05/1987

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UNCLASSIFIED

E X 0247

UNCLASSIFIED

Robert Schweitzer (27Apr87)
Exhibit 14 (1pg)
EX 284

DENIED IN
TOTAL

5699

UNCLASSIFIED

Rober Schweitzer (27 Apr 87)
Exhibit 15 (Part) (2pgs)
EX 286 & EX 287

DENIED IN
TOTAL

UNCLASSIFIED

E X 288

31 Dec 86

ITEM #	PRICE
1.	209
4.	16,500
6.	41,800
7.	209
8.	451
10.	2,035
11.	1,980
12.	203
13.	169,900
16.	2,145 *
18.	8,415
19.	6,600
20.	6,600

Items 2, 3, 5, 9, 14, 15 and 17 need clarification or additional discussion.

FOB POLAND

NEW : FACTORY DIRECT TO DOCK.

TWO WEEK DELIVERY FROM DATE OF FUNDS IN THE BANK.

* Price on Item 16 includes Tripod.

UNCLASSIFIED

Robert Schweitzer (27Apr87)
Exhibit 16 (1pg) Ex 289
G000051

DENIED IN
TOTAL

5701

UNCLASSIFIED

Robert Schweitzer (27Apr87)
Exhibit 17 (1pg)
EX 290

DENIED IN
TOTAL

5702

UNCLASSIFIED

Robert Schweitzer (27 Apr 87)
Exhibit 20 (part) (2 pgs)
Ex 298 - Ex 299

DENIED IN
TOTAL

UNCLASSIFIED

Robert Schweitzer (27Apr87)
Exhibit 21 (1 pg)

EX 300

DENIED IN
TOTAL

5706

UNCLASSIFIED

Robert Schweitzer (27 Apr 87)
Exhibit 22 (2pgs)

EX 301 — EX 302

DENIED IN
TOTAL

5707

UNCLASSIFIED

Robert Schweitzer (27Apr87)
Exhibit 23 (2pgs)
EX 303 - EX304

DENIED IN
TOTAL

5708

UNCLASSIFIED

Robert Schweitzer (27Apr87)
Exhibit 24 (2pgs)
EX 305 - EX 306

DENIED IN
TOTAL

5709

UNCLASSIFIED

Robert Schweitzer (27 Apr 87)
Exhibit 25 (2 pgs)
EX307 - EX308

DENIED IN
TOTAL

5710

UNCLASSIFIED

Robert Schweitzer (27 Apr 87)
Exhibit 27 (8 pgs)
EX 312 - EX 319

DENIED IN
TOTAL

5762

28 Jul 86

UNCLASSIFIED E [redacted] X 270

COPY

PERSONAL AND CONFIDENTIAL

Mr. William Casey
Director, Central Intelligence Agency
Langley, Virginia

Dear Bill,

The enclosed list of hardware is available for immediate delivery at the prices indicated. The list was developed in conjunction with a member of the NSC who is knowledgeable of the urgent needs of the United Nicaraguan Opposition with which the US has a continuing interest. The items can be at dockside, ready for shipment within two weeks from the date of a Letter of Credit or the deposit of actual funds.

Due to the fact the funds from Congress will not be available until after September, our bank in Switzerland, will accept a Letter of Credit from your bank and issue a loan for six to twelve months, or as needed. Our bank will fund immediately for the purchase of the listed items, thus providing the equipment that is so desperately needed now while allowing for payment at a later date.

Our banker is prepared to fly to Washington and take care of the Letter of Credit directly with your designated bank. This eliminates all bank tested telexes or paper trails. The loan can be in the name of a corporation of your choice. It is not necessary for our bank to know your identity, only your banker.

Our bank has been exceptionally discreet in processing our transactions in the past. At the close of the transactions, the bank file will only show corporations, numbered items and amounts. No reference will be made of the specific items involved in the transaction, nor of the individuals or actual organizations involved.

Please let me know as soon as possible your desires for our future actions on this matter.

Yours truly,

Partially Declassified/Released on 8 Feb 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

5694

6000365

John K. Singlaub
Major General, U.S. Army (RET)
Consultant

1 Incl: a/s

DEPOSITION EXHIBIT 10
SCHWEITZER
3-1-87 kw

UNCLASSIFIED

GeoMiliTech Consultants Corp
1919 Pennsylvania Ave NW Suite 300
Washington DC 20006

UNCLASSIFIED

[illegible]

Quoted 28 July 1986

E X 271

#	ITEM	QTY	UNIT PRICE
1	SA-7	50 sets(1-3)	159,600 per set
2.	12.7mm MachineGun 12.7mm Ammo	60 3 Million Rounds	9,350each 2,940 per M
3.	14.5mm MachineGun 14.5mm Ammo	20 Twin Version 1 Million Rounds	34,000each 3,570 per M
4.	RPK Rifle 7.62X39mm Ammo	300 15 Million Rounds	1,980each 129 per M
5.	60mm Mortar "Commando" 60mm Shells	200 600,000	6,500 each 84 each
6.	82mm Mortar 82mm Shells	50 150,000	7,150 each 105 each
7.	RPG-7 Launcher PG-7vm Rockets	200 10,000	1,815each 194 each
8.	C4 Plastic HE*		
9.	AKMS Rifles	10,000	155 each

PRICE
FOB : [redacted]
Delivery : Immediate availability.
Factory to dockside.
Commercial shipper will deliver to port you designate at normal competitive rates.

* Available: Source will not quote without bona fide offer.
Item under control of separate part of government.
Source guarantees price will be as competitive as the other items on this list.

NO EUC REQUIRED.
SOURCE SUPPLIES ALL REQUIRED DOCUMENTS AT NO ADDITIONAL CHARGE.

UNCLASSIFIED

No Date
N 5518

1. OBJECTIVE

To create a conduit for maintaining a continuous flow of Soviet weapons and technology, to be utilized by the United States in its support of Freedom Fighters in Nicaragua, Afghanistan, Angola, Cambodia, Ethiopia, etc.

2. PROBLEM

With each passing year, Congress has become increasingly unpredictable and uncooperative regarding the President's desire to support the cause of the Freedom Fighters, despite growing Soviet oppression. The funds have not been forthcoming to supply sufficient arms necessary for the Freedom Fighters to win. Therefor, in leiu of the necessary funding to support this goal, the following 3-Way Trade is proposed:

3. PROPOSAL

COUNTRY "A": [redacted] is capable of producing an ongoing supply of Soviet-compatible arms. [redacted] is at the same time trying desparately to upgrade their own military forces and equipment. They would like to purchase from Israel a wide range of military equipment.

COUNTRY "B": [redacted] would like to sell to [redacted] but [redacted] economy is not capable of supporting long-term credit or barter agreements. As such, the United States is the key in the successful 3-Way Trade.

COUNTRY "C": UNITED STATES. The United States is able to provide [redacted] with desired High Technology equipment and information. Based on this commodity, the Trade would operate as follows:

PAPERCLIP TO 2034

Partially Declassified/Released on RITCHEY
under provisions of E.O. 12356
by K. Johnson, National Security Council

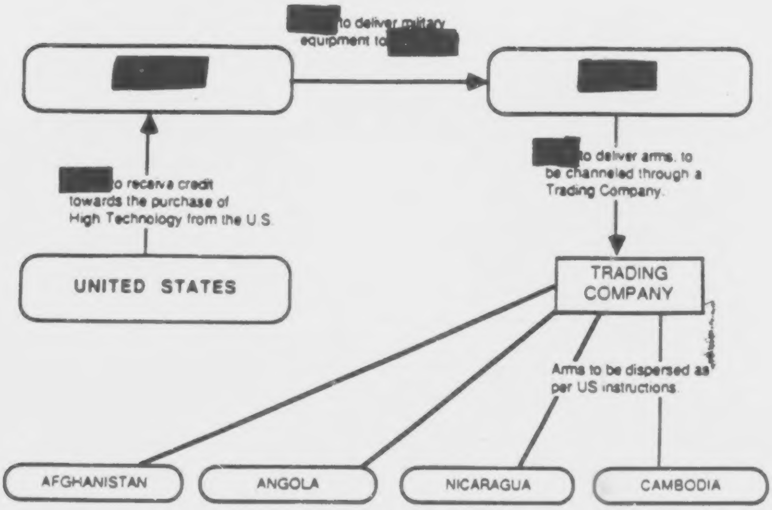
5695

DEPOSITION
EXHIBIT 11
SCHWEITZER
5-1-87

UNCLASSIFIED

N 5519

3 WAY TRADE


[redacted] to deliver military equipment to [redacted]
[redacted]
[redacted]
[redacted] to receive credit towards the purchase of High Technology from the U.S.
UNITED STATES
[redacted] to deliver arms, to be channeled through a Trading Company.
TRADING COMPANY
Arms to be dispersed as per US instructions.
AFGHANISTAN
ANGOLA
NICARAGUA
CAMBODIA

UNCLASSIFIED

4. RESULTS

[redacted] sells equipment, which in many cases sits stockpiled at present, to [redacted]. In return [redacted] receives from the United States equipment and technology that it could not otherwise afford to purchase.

[redacted] receives much-needed modernization for its forces, thereby presenting a stronger threat to the Soviet Union. In return [redacted] exports an ongoing supply of domestically manufactured arms, as per directions from the United States.

The United States then has at its disposal a large and continuous supply of Soviet technology and weapons to channel to Freedom Fighters worldwide, mandating neither the consent or awareness of the Department of State or Congress.

The United States would be in a position to dispense these shipments through a neutral Foreign Trading Company, established solely for this purpose.

[redacted] would only be aware of the fact that it is to ship to the Trading Company such specified goods as requested, comparable in USD value to the equipment received from [redacted] would not be aware of the final destinations of any of the exported arms.

[redacted] would only be aware of the buying power extended by the United States for US technology, again in comparable USD value to the equipment sent to [redacted]

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The United States at present holds to a policy of providing assistance to [redacted] a goal which would be forwarded through this transaction. Likewise, the United States is committed to extending financial and technological assistance to [redacted] This too would be accomplished. There are many avenues available regarding the forms of credit which could be extended to Israel.

We have received confirmation from [redacted] and [redacted] that they are most interested in pursuing their role in this trade arrangement. Upon your encouragement and belief that the United States could perform its role, we will proceed with [redacted] and [redacted] defining their respective roles and the equipment they are willing to trade. This will serve to establish our initial parameters of equipment quantities, and the proportionate amount of credit required.

UNCLASSIFIED

2 September 1986

Meeting with "Patrice" in Geneva on 1 July 1986.

E X 272

"Patrice" confirmed he was the owner of the arms shipment siezed by General Noriega in Panama.

"Patrice" stated:

1. The ship's destination was Peru - El Salvador.
2. Peru had ordered the trucks, but denied the ship permission to dock due to the arms aboard.
3. The ship proceeded en route to El Salvador.
4. "Patrice" had a "Letter of Intent" from [redacted] for the RPG-18s and the AKMS rifles.
5. [redacted] refused permission to dock.
6. "Patrice" believed [redacted] had ordered the arms on behalf of someone else.
7. "Patrice" has a partner in Miami, David Duncan, and a representative in DC, Eldon "Dan" Cummings [redacted] a retired Colonel, USA.

Comment:
"Patrice is working from an office bearing the name "Star Productions" in Geneva.

"Patrice"'s full name and adress is as follows:

Patrice Genty de la Sagne
22A Rue du Cendrier
1201 Geneva, Switzerland

-or-

PO Box 248
1211 Geneva, Switzerland
Telephone (022) 31 51 35
Telex: 28322 STARP-CH

DEPOSITION
EXHIBIT 12
SCHWEITZER
5-1-87

G000315

5696

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by K. Johnson, National Security Council

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E X 274

Meeting with David Duncan, 29 August 1986, Washington DC.

Duncan stated:

1. First discussed the possibility of shipment with Nerstor Sanchez in February of 1986. Sanchez had no objections. Duncan has continued to brief Sanchez.

2. The ship left E. German port headed for Africa. Informed that Africa cannot pay the balance due, the ship turns around.

3. The Peruvian Navy agrees to purchase.

4. Peru refuses permission to dock.

5. [redacted] agrees to accept ship, then refuses to allow ship in port.

6. [redacted] is upset about the pressure arising from this. Duncan spoke To [redacted] Duncan stated "[redacted] thinks he is getting pressure now, he hasn't seen anything yet. If [redacted] does not bring Duncan the purchase orders that Duncan is expecting, Duncan is going to the press and really tell them a story."

   "People down the street" (White House) on Duncan's back because [redacted] purchase orders are not coming in fast enough.

Duncan said that the NSC was angry that [redacted] had not bought more arms from Duncan, as Duncan can finance 100%

Duncan describes money as "Black Money" placed in Swiss Banks can finance 100% for a 15-year loan, with the first payment delayed 12 months.

Duncan stated that [redacted] and bragged that he had bought them for 20 million dollars and sold them [redacted] for 50 to 60 million dollars.

He also said that he had contracts [redacted] to build a military hospital and a military-run refinery and port. All construction financed with "Black Money".

Duncan is able to work all of these transactions [redacted]

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-- E X --275 --

[redacted] warned Duncan that [redacted] still continues to control international communications.

Duncan stated "Patrice"s partner in Geneva ,"George", was a member [redacted]. "George" had been responsible for 10 coups in Africa, and that the office of "Patrice" in Geneva is under security protection [redacted]

Comments and Conclusion

[redacted] Ron Martin and Mario Del Amico in running the Arms Supermarket.

Mario Del Amico [redacted] is a close personal friend of Max Gomez (Felix Rodriguez), also former CIA.

Max Gomez, civilian, lives on a military base [redacted]

Max Gomez (Felix) was placed in El Salvador by Nestor Sanchez and Dan Gregg (Vice-President's office). Max brags that he has daily contact with the office of the Vice President.

Duncan brags that through all of the above, Duncan has control [redacted] via power from the White House, (NSC, Vice-President) and Nestor Sanchez.

Duncan believed to be a very dangerous man.

Information Duncan willingly gave in boastful manner could:

1. Damage President Reagan and the Republican Party.
2. Damage Vice-President Bush.
3. Damage NSC and Sanchez.
4. Disclosure of covert "Black Money" could have untold ramifications.

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E X 276

2 September 1986

Meeting with "Patrice" in Geneva on 1 July 1986.

"Patrice" confirmed he was the owner of the arms shipment siezed by General Noriega in Panama.

"Patrice" stated:

1. The ship's destination was Peru - El Salvador.
2. Peru had ordered the trucks, but denied the ship permission to dock due to the arms aboard.
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7. "Patrice" has a partner in Miami, David Duncan, and a representative in DC, Eldon "Dan" Cummings [redacted] a retired Colonel, USA.

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"Patrice"'s full name and adress is as follows:

Patrice Genty de la Sagne
22A Rue du Cendrier
1201 Geneva, Switzerland

-or-

PO Box 248
1211 Geneva, Switzerland
Telephone (022) 31 51 35
Telex 28322 STARP-CH

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E X 277

Conversations with Dan Cummings

1. Confirmed information given by "Patrice" to be correct.
2. Stated that David Duncan had been to the White House and had been assured that General Noriega would release the shipment [redacted]

Several phone calls with David Duncan confirmed:

1. Duncan had been to the White House.
2. Duncan had met with Vince (NSC)
3. General Noriega has agreed to release the shipment.
4. [redacted]

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E X 278

18 Sep

David Duncan
Called Barbara
17 Sep - (twice?)

He and Alberto Coppo (Peru)
will be in Wash DC on 18 Sep
Want to meet with GMT

Comment:

Bad idea; Bad for Barbara and GMT. Neither honest nor prudent, Duncan is a bomb thrower. GMT has no connection w/him, never did. To see him is to suggest a Connection or give him more names to use in his next press Conference

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E X 279

David Duncan.
- very conservative -
- in conversations w/ Paul
out in Polish equip.
Has source; get any type
of Polish equipment.
Provided at competitive.

Not still well.
Gloria.

Inder Tusier - described Bush
Sep 20 - Ast. Concern
mil company for Grenada
Mike Riisl - "Russ"
a US war veteran
Col Eldon Cummings -

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E X 280

Prices from Sam Cummings

32	4x4 trucks	15,000 ea
1440	RPG 18	500 ea.
1500	AKMS	170 ea

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E X 281

Patrice Genty de la Sagne

Star Production Geneva — Phone 022 31 51 35
22A Rue du Cendrier — TLX 28322 STARP CH
1201 Geneva

POB 248
1211 Geneva

Employees

David Duncan	305	661 - 5999
	305	898 - 7753
Dan Cummings	202	232 - 5722

UNCLASSIFIED

[illegible] 12A
30 Oct 86

E X 282

30 October 1986

[redacted]

Reference the GMT offer, dated 29 October 1986, of seven (7) AB UH-1B helicopters for $2.9 million and an accompanying handwritten memo.

I would like to confirm and extend what the $155,000 would cover:

- 100 hour inspection of all aircraft
- aircraft assembly (at the moment parts and blades are broken down for shipment)
- aircraft track of main rotor and tail rotor for smooth synchronization after assembly.
- check of all seals, hoses and connectors; replace as required
- inventory of spares
- transportation of spares to Florida
- avionics check

While all repairs uncovered by the inspection would be extra, we expect them to be minimal. However, the usually expensive work of placing back on line seven birds that have been cacooned for years is covered by the $155 K. Incidentally, we would pass this figure on to you at cost. Recognize, too, that if any defect is uncovered, the spares are on hand; hence cost of any required repair would be extremely low.

Because this fleet of seven is in such exceptional condition they will not be in the market for very long once the seven year U.S. Customs hold is lifted. It is precisely because all seven are in such good condition, that the authorized services and repair center gave us such a low quote.

Bob Schweitzer
Robert L. Schweitzer

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under provisions of E.O. 12356
by K. Johnson, National Security Council

PLAINTIFF'S DEPOSITION EXHIBIT
[redacted] 3
6-3-[illegible]

(5697)

Ex 12A

G000044

GeoMiliTech Consultants Corporation
Suite 300 1919 Pennsylvania Avenue, N.W. Wa[illegible] 8GMT Wash D.C.

UNCLASSIFIED

17 Dec 86

E X 309

Bob's meeting with [redacted] of 17 December 1986

1. No action : Physical condition of one individual and paralysis of system are causes.

2. Meeting of Board of Directors next Tuesday. They will approve list, we have promise that we will be given list on which to obtain prices about 4 p.m. 23 December.

3. No way now to know quantities or even dollar value of package. Quantities are a complete unknown; Dollar value expressed in wide range from $4M to $17M, more likely tow[illegible] higher side.

4. Infantry items - nothing exotic or especially heavy. Almost certainly list will include:

[redacted]

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by K. Johnson National Security Council

1165

5. Money is going to be a problem - This comes as suprise to our clients. They thought money was one thing that would not be a problem. For the time, at least, it is a major problem. My guess: combination of scarce

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PLAINTIFF'S DEPOSITION EXHIBIT
[redacted] #1
6-3-87

E. 26

UNCLASSIFIED

E X 310

funds coupled with deliberate desire by senior officials to interdict virtually all initiatives until local dust settles. How best to be sure? Withhold money, then no one can do anything. However, we are still promised the $4M to $17M package which stands apart from other inertia.

6. "Graham's Eight Items"

- o Client has real desire to obtain.
- o Money a problem; client has to reprogram and this will take time as well as a will to give up something else.
- o Policy paralysis continues for obvious reasons. No one wants to move this soon on anything even slightly different, unusual.
- Some scepticism (shared by us) on whether we have bottom price. "How low really is the Limbo Pole."

7. Werner's 2 to 8 items"

Again, real interest, real desire, but this will be a longer time coming because of bureacratics. I understand the problems, as does client, in asking for a price, but it would speed things if we could say unequivocally:

- o Two for $ __________
- o Five for $ __________
- o Eight for $ __________

8. "The Burbank Seven Items" Great desire. Real Thirst

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E X 311

money is sole problem. Competing needs are food and footwear. Hard to argue. "We would love to acquire." Agreement $3M plus or minus is reasonable price. Great attraction for what additional $55K buys in transportation of spares.

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23 Dec 86

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E X 283

MEMORANDUM

TO : [redacted]
FROM : Robert L. Schweitzer
DATE : 23 December 1986

SUBJECT: Military Technology and Material

[redacted]

UH1B Helicopters We have seven UH1B helicopters in prime condition. Large inventory of spares (original Army packaged PLL for the seven birds plus more). Price is $2.8 Million. 110 Hour inspection and probable repairs estimated about $20,000. Transportation of helicopters and spares to Florida available for about $50,000.

MIG 21's

Package 1	:	8 with ammo and many spares, used but in good condition. $28 Million
Package 2	:	4 "older version", used; good condition (overhauled) 10% lifetime spares. $5.5 Million
Package 3	:	6 "latest version", like new condition. No spares but could obtain from another source at additional cost. $24 Million

Bob Schweitzer
Robert L. Schweitzer

PLAINTIFF'S DEPOSITION EXHIBIT
[redacted] #5
6-3-87

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by K. Johnson, National Security Council

5698

GeoMiliTech Consultants Corporation
Suite 300 1919 Pennsylvania Avenue N.W. Washington D.C. U.S.A. 20006 • (202) 887-0516 Telex 904278 GMT Wash DC
WASHINGTON [illegible] TEL AVIV FRANKFURT SEOUL

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Ex 13
1 MAY 87

21 Dec 86

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Ex 285

Memo for [redacted] 31 Dec 86

Subject : Comments

I. All Soviet Bloc items will be available at the port within approximately two and one-half weeks from the time the funds are deposited in the designated Swiss Bank. Any items of Chinese origin will be available at the port in about three and one-half weeks.

II. We will obtain separate quotes on the items of Chinese origin.

III. Prices (Incl. 1) reflect the sharp decline of the dollar over the past several weeks. ($ 1.87 against the German Mark as of today), but will not increase for the next 30 days. They could go lower and almost certainly will drop some once the hard negotiating begins with the Letter of Credit.

IV. All prices will be FOB from either Polish or [redacted]

V. Line items 2, 3, 5, 9, 14, 15, and 17 were not priced pending either clarification of following questions (keyed to line items), or price availability.

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5700

PLAINTIFF'S DEPOSITION EXHIBIT
[redacted] #7
1-5-87

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Ex 15
1 May 87

8 JAN 87

UNCLASSIFIED

E X 291

8 JAN EVE
NOTES FROM RLS CALL

SCRATCH 54

BLUE CHIP NET IN TILL "WELL AFTER 15TH"
(PROBABLY 4TH RATHER THAN 5TH WEEK)

ITEM 21 [redacted]

PRICE PROB IS CONSIDERABLE MUST BEAT

1. 132
2. 963
3. 125
4. 10,800
5 1,060
6. 14,000
7. 132
8. 308
9. 240
10. 1,750
11. 700 SAME FOR RPK/RPD
12. 131
13 84,000 3+1
14 NA
15 1,050
16 2800
17 13,200 CHECK CHINA PRICE W/ DUNK
18 7,025
19 2,950
20 5,800

INCLUDES "INSURANCE"

NOT A GAME OR
ONE-UPMANSHIP.

CALL RLS @
HOME AFTER 6 30.

"NOT OUT OF IT"
"WANT US TO DO IT,
BUT WE MUST COME DOWN

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by K. Johnson, National Security Council

5703

HERE ARE PRICES TO BEAT
CLIENT HAS "OTHER SOURCES
OF LISTED ITEMS [illegible]
ALSO INCLUDES ___ INSURANCE
2 [illegible]

DUNK MUST GO BELOW PRICE LEVELS:
[illegible]
CLIENT IS NOT "WHO HE THINKS IT IS"

GOING TO ANOTHER MEETING ...

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Ex 18
1 MAY 87

UNCLASSIFIED

9 JAN 87

E X 292

09 January 1987

Memo for BFS

S: Meeting with [redacted] 8 Jan

1. Attached is annotated list given to me yesterday by [redacted] Concerned over GMT's "significantly higher prices" the people working for [redacted] (as well as the three requesting groups) asked that the four old suppliers be queried. Up until early January, none of the four had been given a copy of the list or asked to provide pricing and availablility information. Two of the four were out of country; the annotated figures in the left margin are the lower of the two who responded. At this point the two long time suppliers (15 years; 20 years) were not given copies of the list or even specific quantities. Instead they were asked to price single items in each line. As a consequence, [redacted] their final bids will be lower for items where there are large quantities; e.g., line items 1-5, as well as possibly for some other lines.

2. There can be no real question that the prices supplied are honest quotes with which the supplier is prepared to live. The alternative would mean that a high government official is lying; involved in wrongful activity. If this were true he would be fired on the spot and almost certainly subjected to criminal proceedings. What we have instead is an honest professional who quite properly is seeking to protect his agency and the U.S. taxpayer from being overcharged.

3. If we lose the bid and later wish to do so, we can complain:

- There was no reaction to our October submission which by coincidence carried four of the items which ultimately were given to us to price in December. three of those were higher in our December quote: one was significantly lower. Point is that if there was heartburn it should have been expressed in October [redacted] said his people were scrubbing our input.
- We were not told until yesterday that there must be competitive bidding for any arms purchased by this particular government agency; [redacted] had written a recent memo to Casey assuring him that there was. More reasonably we should have been told this at the outset in accordance with normal government practice.
- Agency was unreasonably slow in coming back to us with requested clarifications because they were going out for other quotes. Arguably (either way) they should have told us sooner that there was a price problem.
- Agency's 8 Jan. feedback to our neat and complete submission of 30 Dec., 5 Jan. and 8 Jan. was a scribbled page of annotation (Incl.)

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PLAINTIFF'S DEPOSITION EXHIBIT
[redacted] #11
6-5-87

5704

E, 19
22/13

4. None of the foregoing would have probably changed significantly our initial -- or even our revised pricing of 5 and 8 January. We could always go in with a complaint to the Agency's Inspector General (IG) but nothing now would really support such a complaint. We certainly can check out the price ultimately paid for all 21 line items if we are not awarded the contract and at this point make a decision on any complaint. Were we to be excluded improperly we would have recourse within both government and legal channels.

5. [redacted]

6. He believes that our agent or agents are simply charging us too much; that "the ultimate source is probably the same for your materiel as it is for the other four suppliers". In this regard, I told him our contact [redacted] Response: "I don't believe that could have happened".

7. [redacted] stated two additional points of relevance:

- All items are brand new neatly and beautifully

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E X 294

packaged

Availability is the same as we have stated: about two weeks for Soviet Bloc material; about three for [redacted] I have not yet told [redacted] that if we were to procure the much less expensive Chinese ordnance from Hartley, the order-ship time (OST) would be 120 days. My guess is that because of all the earlier bureaucratic delays a further 120 day lag would cause the Agency to go to one of their old suppliers, even if our prices were competitive or a bit lower for Chinese items.

VR

Bob Schwartz

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14 JAN 87

E X 295

14 January 1987

Dear [redacted]

Congratulations on your award!

Attached is our latest effort. Please do not take it as our last. We are working for lower prices -- as promised and believe we can get them. Be patient, please.

I have circled those items where we are already under your quotes to me of 8 January.

Our sources were astounded at your quotes: "ridiculous to nuts". In some cases they assert that your quotes are below factory prices for brand new production. We have a real question as to whether your old suppliers are truly offering new equipment. For example, in case of [redacted] please see our range of quotes.

We are above your prices but notice the types. Can your supplier really provide the [redacted] Our suppliers, with seeming sincerity, point to this weapon -- which they handle all the time -- as an example where the "competition can't be right".

Incidentially, our sources believe we are obtaining these weapons from your list for Arab nations; hence security is being maintained, as you would wish.

5705

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PLAINTIFF'S DEPOSITION EXHIBIT
[redacted] #19
6-3-87

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Ex 20

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E X 296

In the case of [redacted] of Chinese origin, Defense and Foreign Affairs lists the price at $260 for [redacted] $230 for [redacted]

With regard to the three clarifications still sought:

[redacted]

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E X 297

[redacted]

Please help us clarify these. It is slowing up process of obtaining lower quotes.

Warm regards

3 incl a/s

Note for GMT File: Incl. w/ pictures and text of three items.

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STENOGRAPHIC MINUTES
Unrevised and Unedited
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Original

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HSITS 0064 /87

4168

Committee Hearings

of the

U.S. HOUSE OF REPRESENTATIVES

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[5:45 p.m.]

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by N. Menan, National Security Council

DEPOSITION OF BRETT SCIARONI

Monday, June 1, 1987

House of Representatives,

Select Committee to Investigate Covert
Arms Transactions with Iran,

Washington, D.C.

The committee met, pursuant to call, at 5:45 p.m., in Room H-139, The Capitol, John W. Nields, Jr. (chief counsel of the House Select Committee) presiding.

Present: John W. Nields, Jr., Chief Counsel; Richard L. Leon, Deputy Chief Minority Counsel, Bruce Fein, Research Director, and Heather Foley, Administrative Assistant, on behalf of the House Select Committee on Covert Arms Transactions with Iran; Mike O'Neil and James E. Kaplan, Associate Counsel, on behalf of the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition.

Also present: Kenneth D. Patrich, Esq., and Leon T. Knauer, Esq., on behalf of the witness.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. NIELDS:

Q Will you state your name, please?

A Brett Sciaroni.

Q How are you employed?

A Counselor to the President's Intelligence Oversight Board.

Q How long have you been the counsel of that board?

A Three years.

Q Starting?

A July 1984.

That's right; July 1984.

Q Could you just give us a brief, and I mean just very summary statement of your education and career history.

A Sure.

Bachelor's Degree from Carmen Men's College; UCLA graduate, associate with a number of think-tanks where I did work in national security studies, including the Hoover Institution, the American Enterprise Institute and Heritage Foundation.

I moved to Washington and this is my third Administration job. Previously employed at the United States Arms Control Disarmament Agency, at the International Trade Commission, Department of Commerce.

Q You went almost too fast and too briefly for me. You graduated from UCLA in 1978. Then what job did you take?

A 1979; I took a postgraduate fellowship, a public affairs fellow at the Hoover Institute.

Q How long did that last?

A That was a year. Then I moved on to the American Enterprise Institute to continue postgraduate work, another fellowship at AEI in Washington, D.C., in 1980 to 1981.

In 1981, I went over to the Arms Control Disarmament Agency; two years there.

Q What kind of work did you do as a fellow at the Hoover Institute?

A Studies in international relations, international securities affairs.

Q How about at AEI?

A The same.

Q How about at the Arms Control --

A I was associated with the strategic -- I was Special Assistant to the Director, but specialized in strategic weapons.

Q I think maybe you answered this and I didn't get it down in my notes. You started in 1981 with the Arms Control --

A Right. I was there two years, and two years at Commerce. That was prior to my going to the White House.

Q When you say two years at AEI, that is from -- can you be a little more specific?

A I arrived in Washington in 1980 and I was there some period through 1981. I don't recall exactly offhand when it was. There might have been some overlap with ACDA, because at ACDA, I was a consultant initially.

Q When did you stop working for the Arms Control Institute?

A Arms Control -- when did I stop working for AEI? What is your question?

Q I think AEI, you said, was 1980 through 1981; is that correct?

A Into 1981. There was some overlap with ACDA there.

Q All right.

When did you stop working for ACDA?

A Sometime in 1982, and I would have to go back and check.

Q Do you recall the season?

MR. KNAUER: If you don't recall, just say so.

THE WITNESS: I don't recall.

BY MR. NIELDS:

Q After you left ACDA, you went to Commerce?

A Yes.

Q That was from sometime in 1982 until when?

A I think 1983 or it might have been even up to 1984. I left the Administration, did some writing, and that was when I did writing for Heritage, and then I took the job at the White House.

Q You are saying you worked at Commerce from sometime in 1982 to probably sometime in 1983?

A Yes.

Q Then you left Commerce and started doing some independent writing?

A Sure.

Q It was after you had been doing some independent writing for a time that you eventually worked for the White House?

A Right. I think it was about six months later.

Q When you say the White House, that is the Intelligence Oversight Board?

A Sure. Right.

MR. LEON: July 1984?

THE WITNESS: Yes.

BY MR. NIELDS:

Q In these various jobs at the Hoover Institute, AEI, ACDA and Commerce, did you function as a lawyer or were these more in the nature of foreign policy kinds of positions?

A More in the nature of in that category. Although when I was in Commerce, I did help write a decision for an administrative law judge there on an international trade issue, an anti-boycott issue. They needed somebody independent to do the work and so they came to an attorney I was working for, John Paul, and I did legal research and so on for him.

Q How about bar memberships?

A I took the Pennsylvania Bar in July of 1984 and waived immediately into D.C.

Q In other words, you took the Pennsylvania Bar and were admitted in Pennsylvania in 1984?

A And also --

Q -- and you were waived into D.C. as a result of your admission in Pennsylvania?

A Right.

Q And did you take that bar and become admitted as a condition to --

A Condition of employment at the Board, sure.

Q At the Intelligence Oversight Board?

A Right.

Q You have been with the Intelligence Oversight Board as counsel ever since?

A Ever since, right.

Q Can you -- I guess, first of all, I would like to ask what the function of the President's Intelligence

--Oversight Board is?

A Created in the mid-1970s in the wake of allegations about wrongdoing in the intelligence community, it was a recommendation from the Rockefeller Commission Report to create a board, an oversight board at the White House, and it was created to look into matters of legality of intelligence activities in the intelligence community.

Q Is it fair to say the Intelligence Oversight Board was supposed to in some sense or another police the intelligence community from within the Executive Branch?

A Well, police is a strong word to use there. It sits on top of the Inspector General and the General Counsel system, and the way the system does work is that problems that occur in the community of illegality, impropriety, are reported up the system and we are the apex of that system, although clearly we have investigatory powers as well.

Q I am going to put a book of exhibits in front of you, and I will ask you to turn to the first exhibit in the book, which is marked BGS-1.

MR. KNAUER: Can we go off the record.

MR. NIELDS: Sure.

[Discussion off the record.]

MR. NIELDS: Let's go back on the record.

Counsel for Mr. Sciaroni has given me a document marked "Statement of Counsel," and I ask that the reporter mark it as BGS Exhibit 22.

[The document marked BGS Exhibit No. 22 follows:]

* * * * * * * * * COMMITTEE INSERT * * * * * * * * *

MR. NIELDS: Just briefly, the document which has just been marked BGS-22 is a "Statement of Counsel" for Mr. Sciaroni. He indicates that he has not had a very long time to be able to consult with and prepare his client and if we run into any problems where you feel the length of time is prejudicing you in some way, why, let's simply discuss it and see if we can't resolve it to our mutual satisfaction.

You have also asked for a copy of the transcript. It has been our practice as a committee, as I understand it, to make transcripts available in the sense counsel can come in and read them, but it has not been our practice to actually release the transcript, but you have now made a formal request for it, and I will take it up in the appropriate way and get back to you as soon as I can.

MR. KNAUER: Thank you.

BY MR. NIELDS:

Q Mr. Sciaroni, I had just asked you to turn to BGS Exhibit 1, and I will ask you what that is.

A That is the Executive Order that creates the President's Intelligence Oversight Board.

Q Is it also the document that essentially provides for the charter of the board?

A Yes, it does.

Q Tells the board what its responsibilities are, duties and functions and so on?

A Right.

Q Can you describe what the Board consists of?

A It consists of three board members and a counsel.

Q Any secretarial --

A And a secretary.

Q Are the three board members full time; part time?

A They serve at the pleasure of the President, and they are not paid and they come in to town for meetings as required.

Q So these are three people appointed by the President who have other full-time jobs?

A They are distinguished citizens from private life that volunteer their time to come in and provide an oversight function for the intelligence community.

Q How frequently do they meet?

A That depends upon events. We have six regularly scheduled board meetings a year, one every other month, and then we will lay on additional means as required.

For example, since November, when the Iran arms initiative blew up, we have met numerous times and I would have to go back and check to see how many times, but probably every couple weeks we have had a board meeting.

Q But in the normal course of things, the board would meet six times a year, I take it?

A Well, only there is never a normal year. There is always problems that come up and special board meetings will be laid on for those extraordinary events that come along. But we do have six regularly scheduled board meetings in addition to which we will have additional meetings.

Q Now, do you in the course of your functioning as Counsel for the Intelligence Oversight Board from time to time write opinions on legal issues?

A I write opinions at the direction of the board.

Q How do these opinions get initiated?

A Any number of ways. Somebody will make a suggestion about what a likely topic will be. I might have something reported from one of the intelligence agencies, a matter about which I think more attention should be placed on it, and that would be in the ordinary reports that come in from members of the intelligence community.

Newspaper articles provide another source. I mean, there is just no standard or typical. There is a variety of methods used to initiate an inquiry, however extensive.

Q Just very approximately, how many legal opinions do you write for the board per year?

A Well, again, I don't know that I could quantify

-them.

We write opinions that go directly to the President. We do write opinions that go to the National Security Adviser as the Adviser to the President for National Security Affairs.

Occasionally, very rarely, I will write something for, let's say, a counterpart on the National Security Council Staff. We have two such, and those are the only two I can think of I have ever done that has been forwarded to a member of the National Security Council Staff. And then there are numerous things that I will write for the board meetings for our own internal use.

There is no way to quantify.

Q Well, addressing only the ones that actually leave the board that the board issues letters to the President or to the National Security Adviser or to someone on the National Security Council Staff, approximately how many a year are we talking? Five, ten, twenty, a hundred? What is the order of magnitude?

A It will actually physically leave our office -- maybe ten, I guess.

Q Per year?

A Per year.

Q Are the majority of those self-generated, self-initiated, or are the majority written at the request of the person or entity to whom they are sent?

A In that sense, they are self-generated. I mean, I can't think of a time -- I think my predecessor could recall a time when the President asked for us to do, asked for the board to do something, but I don't recall the National Security Adviser or President asking us to produce a report.

Q So in your experience, there has never been --

A Or to Rafferty, is the only other person we have sent an opinion to.

Q So there has never been a person you have written a request for someone outside the board?

A For whom that is intended.

Q And that means that in each case in which you have written an opinion for the board and delivered it to the President or National Security Advisor or someone on the staff, it has been at your initiation?

A Right, the board's initiation.

Q Do you know someone named Oliver North?

A Yes, I do.

Q Can you tell us how you got to know Mr. North?

A I had been on the job three months in 1984, approximately three months, when in October, an allegation surfaced that the CIA had produced a manual on psychological operations which advocated assassination which, of course, if true, would be a violation of Executive Order. And in the context of my investigation, I got to know North because he was the action officer for Central America.

Q And did you -- let me ask you this: Where did Mr. North work?

A He worked at the National Security Council, staff.

Q What building is that in?

A The Old Executive Office Building.

Q Is that where your offices are?

A Precisely.

Q How far away was his office from your office?

A Down the corridor.

Q Did you get to know Mr. North thereafter?

A Yes. I had conversations with him from time to time, and I would see him in the corridor naturally.

Q How frequently, for example, would you go to his office and chat with him?

A To have a substantive discussion with him, I would guess I might have seen him once a month.

Q Was this on business or non-business matters?

A Business.

Q And did those meetings occur always at his office or sometimes elsewhere?

A I can't think of a time it didn't occur in his office.

Q And were these substantive discussions at your initiation or his?

A Always at my initiation.

Q For what purposes?

A To get information about subjects that he dealt with.

Q For what reason?

A The board has always taken a particular interest in covert action because of a propensity for covert action programs to be problems, and in trying to head off problems, historically the board has looked at those, and in this Administration, the covert action program regarding Central America was the most contentious and controversial.

Therefore, I felt it was important to touch base with him from time to time just to find out what was happening either on the Hill or in Central America.

Q I take it that Oliver North was the NSC staffer who was principally responsible for the Central American part?

A Right.

Q By Central America, I take it you are referring to all of Central America, but especially to Nicaragua and the contras?

A Primarily, yes.

Q Can you just describe -- I know you have done this in interviews that have not been on the record, but can you just describe Mr. North's working habits and any ease or difficulty you had in getting information or having conversations with him?

A I think that I have told you in informal sessions that he probably worked longer hours than anybody at the office, and the only time I could typically get into see him, because his days were so full, was in the evening, perhaps 8:00 or 9:00 o'clock at night, when his schedule started to wind down.

Q Were there times you endeavored to see him and weren't able to do so?

A Sure; plenty of times.

Q For every substantive conversation you actually had with him in his office, would there be a number of times you would walk down there and --

A I would drop in and see if he was available and his secretary would tell me he was tied up and to come back later. Almost invariably when I would come back, he was still tied up.

Q How about his office physically? Do you recall whether there were documents in his office or papers that were either kept out on tables, or can you describe physically his office?

A He always had a lot of paperwork in his office.

-- Q Did there come a time when some questions were raised publicly about the possibility that North was involved in fundraising or operational activities on behalf of the contras?

A Yes.

I became aware in August of 1985 of a number of newspaper accounts that accounted congressional concern about his activities.

Q I take it this was during a time when the so-called Boland amendment was in effect?

A That is right.

Q I take it that was the subject of these newspaper articles and about congressional concern?

A That was in part what the newspaper articles were about.

Q That Oliver North's activities may have been in violation of the Boland amendment?

A Right.

Q I would like you to turn to Exhibit No. 2 and ask you if you can identify that?

A It appears to be a letter to McFarlane from Michael Barnes, in August, also accounting press reports about what Colonel North was doing.

Q Did you obtain a copy of that letter at or about the time of these press reports?

A I think that is likely. I have a copy in my file and I assume that is when I secured that. I think that the press reports that I saw may ~~hage~~ have quoted from this letter. I may have initiated an inquiry as to getting a copy of the letter.

Q In any event, you did have a copy of this letter in your files?

A Yes, I did.

Q You also collected a number of newspaper articles on this subject?

A Yes. I collect a great number of newspaper articles and I don't specifically remember asking NSC for that, but that would be the logical place I would have procured that.

Q When you say that, you are referring to Exhibit 2?

A Right.

Q Now, as a result of Exhibit 2 and the newspaper publicity, did you decide, first, to conduct an inquiry into Mr. North's conduct?

A I decided to look into the allegations that an intelligence law had been violated. I am not -- I think the way I approached it was to first analyze the legislation and then to do a factual inquiry.

Q I take it before you sat down and actually wrote an opinion on this subject, you did a factual inquiry?

A That is not my recollection. My recollection is I did the legal analytical work first and then did the factual inquiry. At least at the tail end of my analytical work, that is when I did the factual work.

Q We will come to this in a moment, but the opinion you wrote on this subject makes reference to your factual inquiry as having been completed and makes reference to the conclusions that you reached as a result of your factual inquiry.

My question is: At least prior to the time that you actually wrote the opinion, had you not also done a factual inquiry?

A Oh, you mean by the time the board reviewed and approved of the memo, had I done -- I had done both by that time, sure.

Q By the time you actually wrote the final draft of the opinion?

A I had done both, that is right.

Q I would like to ask you first, if I may, about the factual inquiry that you did. What exactly did you do?

A I, and I don't recall the sequence, I did two things. I went to Colonel North and to the NSC General Counsel.

Q NSC General Counsel is Commander Thompson?

A Yes.

Q Paul Thompson?

A Yes.

Q Can you describe for us first how your meeting with Mr. Thompson was arranged and, secondly, what happened at it?

A Because Commander Thompson is in the West Wing of the White House, it is not a matter of dropping in to see him. I drop in to see NSC colleagues in the OEOB, but not in the West Wing.

I phoned and made an appointment to see him. Again, I don't recall if this was prior to or after the meeting with North, but in any case, I went in and made reference to the fact that there had been allegations raised about Colonel North's activities and I said that I was doing an inquiry on that, and I believe by that time, the newspapers had also recounted the Congress had gotten involved, more than just a letter from Barnes, and I asked to see anything he might have that would give me an idea as to what Colonel North's activities were with regard to this matter.

Q And what did he do?

A He produced a stack of memoranda for me to examine.

Q Did you, in fact, examine them?

A I did so.

Q Now, can you recall in general what they showed?

A Well --

Q Let me withdraw that question.

How thick a stack of documents was this?

A My recollection is about an inch thick.

Q Did you make any remarks to Mr. Thompson about the quantity of documents he made available to you?

A I may have. I was aware that Colonel North kept extensive files in his office. In any case, the subject came up and the distinction was made between Colonel North's personal papers and NSC documents, that is, documents that had left his office and were part of his NSC documents system, I suppose.

Q Who made that distinction?

A Commander Thompson.

Q Do I understand you correctly to say that Commander Thompson told you that he was showing you the official NSC system documents, but not the documents that would have been in North's office?

A That is right.

MR. KNAUER: Excuse me, I thought you said personally. Weren't you distinguishing between personal documents --

THE WITNESS: I think that is what you stated.

MR. KNAUER: You said his office. I don't know if that is as specific as you wanted to be.

MR. NIELDS: I asked the question just the way I wanted to because he has been over this with us before.

MR. KNAUER: I thought there might be some confusion.

THE WITNESS: Maybe you ought to restate the question.

BY MR. NIELDS:

Q I take it what Mr. Thompson told you was that he was showing you documents that come from the NSC official files, but was not showing you the documents that had been in Colonel North's office that had not gone into the files?

A That is correct. The distinction maybe between his personal working papers and documents, whatever, and NSC documents.

Q I take it he was not telling you that the so-called personal documents were unrelated to the contras, simply that they were not official documents?

A Right, and that this is what they had shown the Hill when their inquiry came in.

Q That is, the Hill had been shown the same stack of official documents that you had?

A That is correct.

Q Were you told that you were shown all the documents that the Hill was shown?

A That is my recollection.

Q Now, did you -- okay, returning to my earlier question, can you describe just generically what information was contained in these documents?

A Well, there were a variety of documents about legislative strategy with regard to getting renewed funding for the contras, what North had been involved in politically. I think we have some notes I created at the time that showed what kinds of things were in there.

Q Let's turn to them. They have been marked as Exhibit 3. Rather than me testifying, will you identify Exhibit 3?

A Yes. It is two pages of handwritten notes, it is my handwriting. These are -- the third page does not constitute notes I made in Thompson's office, only the first two pages. And I sat there with the documents and flipped through them and jotted down some notes which I then put in the file.

Q Now, I guess I want to state this on the record. I don't think we have any copy of these notes that is perfectly legible in all respects. We would be very appreciative if your counsel could get us a copy of the original notes which Xeroxes all of them so that you can read them.

A Okay. If you will make a note of that, I will endeavor to do so.

Q We would like it as soon as possible. I think you might have shown them to us in your office.

A I did.

MR. NIELDS: None of our copies is as readable as the original and I think part of the problem is the Xeroxing.

MR. KNAUER: Sure.

BY MR. NIELDS:

Q Now, looking at these notes, I guess I would like to ask you first, in the upper left-hand corner, it says, "NSC involvement, one, moral support while funds, and then there is an arrow coming down; 2, influence, re: atrocities; three, encourage political program, march on San Jose declaration."

Are those notes of the documents or are those notes of a conversation that you had with Mr. Thompson?

A I don't specifically remember, but the implication is that that would be from a conversation and not from the documents themselves.

Q When you say implication, you are saying your best recollection and inference from reading these notes?

A The best recollection and knowing how I do things. I think that you can see halfway down the page, when I am jotting down notes about specific memos, there are specific dates to identify it in case I would ever want to go back and locate that memo again.

There are dates. The upper half of that page, there are no dates and that probably reflects the fact that was from a conversation I had with Commander Thompson.

Q Are these things Commander Thompson is telling you based on his prior review of documents and familiarity with this issue?

A I don't know that he made that assertion, but I think that these things, these particular items would certainly reflect what was being said by the Administration at the time.

Q And this was being told to you by Thompson?

A I assume that that is what these notes indicate.

Q And then down below it says -- is that "no military support?"

A Yes.

Q And to the best of your recollection and understanding, that was also said by Mr. Thompson in substance?

A That is the implication of my writing.

Q Information gathering, that was also said by --

A Yes, that would be standard. I mean, the Boland amendment did not talk on information gathering.

Q Then it says below that "North's knowledge of military activity is due to reports received from CIA."

A Right.

Q That was also said to you by Commander Thompson?

A I assume it was.

Q Then it says "Various documents, constraints imposed by law during time of ban," what does that mean?

A I assume that is starting to reflect what I am writing down as I review the documents.

Q You are making your note from the review of the documents, that they reflect the fact the law imposed certain constraints?

A Right.

Q Would I be correct in assuming this is a point in Mr. North's favor, that was recognizing the validity and importance of the law?

A That is true.

Q Then there is a one, it looks like January 15, 1985, memo from North to McFarlane on Nicaragua options.

A Yes.

Q I take it that is a reference to a particular document bearing that date and that title?

A Right.

Q Then there is two, it says March 7 memo restructured Nicaraguan PRO, standing for program?

A I would assume.

Q That is a reference to another particular document?

A That is right.

Q Then it says "DIA reports, listed Soviet military equipment shipped to --

A Nicaragua.

Q -- Nicaragua.

A Right.

Q And I take it that comes from some other document or some document?

A Yes, or maybe a series of documents; I don't know.

Q And below that it says all of these options are currently being pursued except for the --

A I think it is aid to the armed opposition.

Q That also comes out of a document that you are reading in Thompson's office?

A I believe those are quotation marks there.

Q On the next page, it says March 7, 1985 meetings between NVF military and congressional leaders.

A Slash editors, et cetera.

Q And that is a reference to information in another document dated March 7?

A Yes.

Q Then it says May 31, 1985 memo.

A Right.

Q Plans are --

A It looks like underway.

Q -- underway to transition from current arrangements to a --

A What appear to be consultative, I think, capacity, but I am not sure.

Q Consultative capacity -- can you read the word below that?

A Once congressional approval granted in lifting Section 8806 of restrictions.

ldd ends/#1

oat fls /#2

-- Q That is a reference to a document dated May 31, which you are summarizing.

A Right.

Q Then below that it says March 30, 1985.

A I believe that when we examined the original --

Q Could you read those words into the record for us?

A "I believe the original would indicate a Washington Post letter from"--I think that it is cut off here, but I think it is Bernheim.

Q Post is the word paren letter from Bernheim?

A Right.

Q That is a document dated that date that relates to the Washington Post letter?

A Right.

Q Then below that it says March 1, 1985.

A I assume that is San Jose declaration.

Q That means memo that date that relates to the San Jose declaration?

A Right.

Q Now, what I would like you to do next is turn and take whatever time you need. I would like you to look at Exhibit 4, 5, 6 and 7, and 8 and read them. I think one or two I showed you in your office earlier.

A This has all been redacted so this is unclassified.

Q They are unclassified. Your lawyer can read them.

I would like you to read them and tell us whether those were amongst the documents that you were shown in Mr. Thompson's office. Maybe we should take them one at a time.

A That would be a good idea.

Q Let's take BGS-4 first.

MR. KNAUER: That is Exhibit 4.

THE WITNESS: We are on four.

BY MR. NIELDS:

Q I should say that what has been blanked out of Exhibit 4, BGS-4 are the names of foreign countries and officials of foreign countries.

A All right. I am sorry -- I can tell that that document was not included in the stack of documents that I reviewed.

Q Would it be fair to assume that you would have regarded it as inconsistent with what you were being told by Mr. Thompson had you read it?

In other words, it is something that would have stuck in your minds.

A Yes. Let me rephrase that. This would clearly have made an impact on me. There is no way I would have missed a document like that.

Q Okay, I would like you to turn to Exhibit 5.

A I can tell you that document was not in the stack that I examined.

Q That also would have made an impact on you had you read it at that time.

A Absolutely.

Q Turn to Exhibit BGS-6. Again I should tell you that what has been deleted from this document is the name of the foreign country and officials of that country.

A I can tell you that that document was not in the stack that I examined.

Q I take it this also would have made an impact on you at the time.

A It would have jumped out at me.

Q I would like you to look at Exhibit 7. You don't need to look at the end user certificates. I would like to take [redacted] another exhibit, Number 7.

MR. KNAUER: I think for clarification, with respect to Exhibit 6, Mr. Sciaroni was responding to the first memo; is that right, because he skipped some others.

MR. NIELDS: He read the first cover memo which is the pages or page and a half. He read the letter from Mr. McFarlane. He did not read the end user certificates, which are attached to the letter, and is not testifying with respect to those.

THE WITNESS: We are on 7.

MR. NIELDS: Yes.

THE WITNESS: That memo was not in the stack which was shown to me.

BY MR. NIELDS:

Q I take it that contains information that --

A Would have been relevant to my query.

Q I would like you to look at a document that has been marked BGS-8 and ask you to read that and ask you what is that among the documents that was shown to you?

A That memo was not in the stack that was shown to me.

Q That memo, referring now to BGS Exhibit 8.

A Right.

Q Okay. I take it that document would also have jumped out at you had you seen it at that time.

A Yes, it would have.

Q Okay, I would like you to turn to the next document, which is BGS-9. Now, this is, I take it, the opinion on the applicability of the Boland amendment to the National Security Council, which you wrote as a result of the newspaper publicity and the letter from Congressman Barnes.

A That is right.

Q I take it this opinion does two things. It addresses the legal question of whether the Boland amendment applies to the NSC.

A Right.

Q And it addresses the factual question of what Mr. North had done.

A Correct.

Q And I would like to take this opinion backwards, if I may. The last portion of it, which is headed Arabic numeral 2, what activities were undertaken by [illegible] NSC? You say in the first paragraph, after reviewing NSC documents--I am sorry, I have neglected to ask something -- I would like to, before addressing this opinion, I want to ask you after you had reviewed the documents in Mr. Thompson's office, did you see any documents that raised problems so far as you were concerned?

A You mean subsequent?

Q No, while you were in Mr. Thompson's office reviewing this inch thick stack of documents, you took notes-- we have been over your notes. Did you see any documents that raised any problems?

A No.

Q And did you either thereafter or before do something else in order to investigate the allegations that had been made by Mr. North?

A Yes, I dropped by Colonel North's office one evening and asked him about the newspaper accounts.

Q And to the best of your recollection, what did you ask him?

-- A I asked him--it was a very short conversation that we had, at least that aspect of it was very short. The newspaper article had raised general allegations about his activities. I asked him if there was any truth to them, and he issued a blanket denial.

Q And about how long did this conversation last?

A It might have been five minutes, might have been even less than that. There was no specificity to the charges, and there would have been very little for me to pursue once he said he was not involved in those activities, fund-raising and giving military advice and so on.

Q Okay. Did you do anything else in furtherance of your investigating the charges that were being made in the press and by Congress?

A No, those were the two things that I did.

Q Okay, now returning to BGS-9, which is your opinion, it says under Arabic Numeral 2, what activities were undertaken by NSC, and then you write after reviewing NSC documents and interviewing North, "The board can report the following:"

I take it that refers to the document review in Paul Thompson's office you just testified about, and your conversation with North that you just testified about.

A That is right.

UNCLASSIFIED

Q And then you record in this document, in effect, that you have concluded, based on that review, an interview, that Colonel North was not involved in any problematic or possible illegal activities.

A That is right.

Q Now, referring back to the legal portion of this document, I take it you came up with several different reasons for the conclusion that NSC was not covered by the Boland amendment.

A Yes.

Q And the Boland amendment, as I understand it, prohibited any agency or entity involved in intelligence activities from supporting either directly or indirectly the contras~~t~~.

A Right.

Q And you concluded that that statute did not apply to the NSC, and your reasons are listed under letters A, B, and C in this opinion.

A Right.

Q Now C says the NSC does not function as a member of the intelligence community.

A Right.

Q And in effect, what you say is that it doesn't engage in operational intelligence activities and therefore is not an agency involved in intelligence activities.

UNCLASSIFIED

-- A Typically, it does not engage in operational intelligence activities and I can only suppose that that is the reason it has never been chosen by just executive order or statute to be a member of the intelligence community.

Q That is in effect what you said in Section 1-C of this opinion.

A Right.

Q That the statute does not apply to the NSC because ~~cause~~ the NSC does not typically function as an operational intelligence entity.

A Right.

Q Now, here is the question I want to ask you. I take it your conclusion in that respect had been confirmed by the results of your investigation in this particular instance.

MR. KNAUER: I am a little confused. Are you talking about the factual investigation?

MR. NIELDS: Factual investigation.

MR. KNAUER: Thank you.

THE WITNESS: I don't think, as I said before, I believe that that section was written before I did the factual investigation.

BY MR. NIELDS:

Q That is what I say. It was confirmed by it.

In other words, you investigated the question of whether or not North was involved in some operational covert activity in Nicaragua, and had concluded that he was not.

A Yes, and that means that, as I stated before, typically, NSC is not involved in those operations and Colonel North's activities fell within that judgment that it is not something typically NSC does, and it seemed at the end of that factual investigation Colonel North wasn't involved.

I would like to add a caveat, which is that I had a footnote, which also pertains to the second section, and that that conditions the second section. Footnote 5, 5 and 9, I guess would be the two. It would be two caveats I had attached.

Q I take it what you are referring to is the fact that Colonel North might be covered by the Boland amendment by reason of the fact that he was a military man.

A If he was being paid out of DOD funds, he would be covered, right.

Q But as to the NSC generally, you conclude that it was not covered.

A That is right.

Q One of the reasons you conclude it was not covered is that the NSC does not engage in operational intelligence activities.

-- A I don't consider that the hard law. That is not the primary function. That is a rationale.

Q I will get to what you call the hard law. Since you had three different bases for your opinion, I want to get at this one first.

I take it it is correct to say that one of the underpinnings for your conclusion was that the NSC does not engage in operational intelligence activities.

A Does not particularly get involved in operational activities.

Q Now, if the NSC, if you had concluded that NCS was engaged in an operational intelligence activity; namely, covertly supporting the arming of the contras, for example, would that have changed your conclusion.

A Let me say that the President may choose to use the NSC from time to time in operational capabilities. That is not typically a function of the NSC. But, the President may, for a variety of reasons, choose to do so.

Q My question is, if the President were to choose to use the NSC to run a covert support for the armed resistance by the contras, would that have changed your conclusion about when the Boland amendment applies to the NSC.

A Well, it would -- the point of this memo was whether the Boland amendment, whether the NCS was affected by the Boland amendment, and I concluded that it was not within the purview of the Boland amendment.

Q I understand, but my question is if you had concluded that the NSC was in fact being used to covertly support the war in Nicaragua, would that have changed your conclusion?

A It depended upon the circumstance. If it was just pure NSC, I don't think so. Without support from members of the intelligence community, without support from people that were prohibited by the Boland amendment, then the President could ~~chose~~ choose to use the NSC, for example, for fund-raising.

Q How about for running a covert war in Nicaragua?

A Well, it seems to me that without the support of the rest of the U.S. Government, there is no way you could run a covert war from the NSC.

Q Well, okay, I understand that, but I guess I still would like to press the question. If you had concluded that the NSC was running a covert war in Nicaragua, would that have changed your conclusion about whether the Boland amendment applied to the NSC?

A No.

MR. KNAUER: That is the third time around. I think what he said --

MR. NIELDS: He has now said it.

MR. KNAUER: I think what he said is what his concern was, and the hypothetical question you laid out to him was where the funding came from and his determination, as I understand it, was that the Boland restrictions did not apply to the NSC unless there was some linkage with the organizations that received the funding.

I think that is what he said. If you are satisfied with his answer, so am I.

MR. NIELDS: Now, I would like you to turn to Exhibit 11. If you would look at the second page of Exhibit 11, these are excerpts from a statute. Some pages have been removed because it is a very thick statute. I would direct you to the middle of the second page of the statute, which reads, "Section 8066-A." And my first question is whether that is the Boland amendment.

THE WITNESS: That is.

BY MR. NIELDS:

Q Now the language reads, and I am going to skip some words here, "No funds available to the Central Intelligence Agency, the Department of Defense, or any other agency or entity of the United States, involved in intelligence activities, may be obligated or expended for the purpose which would have the effect of supporting, directly or indirectly, military or paramilitary operations in Nicaragua, by any nation, group, organization, movement or individual."

My question is, if the NSC is actually involved in a covert war in Nicaragua, how do you reach the conclusion that it is not an agency or entity of the United States involved in intelligence activities?

A I laid that out in the memo.

Q I would like you to say it orally.

A Okay, that section is attached to the legislation, Department of Defense legislation and intelligence community legislation, Intelligence Authorization Act. Both of those organizations lay out what funds are conditioned by that and I think if you look in those two places you will find out that NSC does not appear in either place.

Q Are you saying that NSC is not covered by the statute which has been marked Exhibit 11?

A That is right.

Q That is an appropriation statute; is that correct?

A And that is a continuing resolution that was later attached to the Intelligence Authorization Act and to the Defense Department Act, whatever that was. It is in my memo, and that conditions what organizations are subject to the Boland amendment.

Q Well, I just want to make sure I understand.

Exhibit 11 is an appropriation statute. It is Public Law 98-473; is that correct?

A That is right.

Q Are you saying that Public Law 98-473, this appropriation statute, has no application to the NSC?

A I will have to go back and check, but NSC was covered under different appropriations.

Q Are you certain of that? Let me ask this: is that an important ingredient to your conclusion?

MR. KNAUER: I believe you are confused. I know I am. Maybe you can start again with the question.

MR. NIELDS: Let's organize ourselves a little bit here. I don't want to keep anything from you. Exhibit Number 10 is Public Law 98-618.

THE WITNESS: That is correct.

BY MR. NIELDS:

Q That is the Intelligence Authorization Act for fiscal year 1984.

A Right.

Q And I have attached what I believe to be the relevant pages of it. If you will digress, please let me know. It says in its first section, Section 101, "Funds are authorized to be appropriated for the following agencies..." and it lists 10 agencies.

A Right.

Q Which are intelligence agencies that do not include the NSC.

A That is right.

Q Then there is a second statute which is Exhibit 11, which is Public Law 98-373, and it is an appropriation statute.

A Right.

Q And it contains in the language which you have identified as the Boland amendment.

A Yes.

Q Now, Exhibit 10 on its face, has no application to the NSC. It authorizes monies for 10 agencies, which do not include the NSC.

A That is right.

Q Then it has a provision that says no money authorized under this statute can be used to support the contras.

A Right.

Q My question to you is whether Exhibit 11, which is Public Law 98-473, whether you are saying that that has no application to the NSC.

A If you will notice the Exhibit 10, the Authorization Act, supersedes it. It is later in time, November 8, 1984, and that encompasses the Boland amendment. The earlier one is a continuing resolution, one of a series of continuing resolutions in October.

Q Well, now, I think you indicated that Section 8066-A of Public Law 98-473 was the Boland amendment.

A Yes.

Q Is that correct?

A That is right.

Q Now, are you saying that that 8066-A was superseded or amended later?

A No, that was taken into the Intelligence Authorization Act, which passed in November that dictates what agencies are affected by that amendment, the Boland amendment.

Q Well, let's move back just for a moment. This Public Law 98-473, which is Exhibit 11, I guess I am not sure I have had an answer to my question on that statute. Does that law, that appropriation statute, cover the NSC?

A It is my understanding it does not.

Q Or if it did, that was in the context of, I would have to go back and check. It is my understanding that it was in the context of the continuing resolution.

Q Why does that matter?

A Well, it was superseded. It was a series of continuing resolutions, which funded it day to day, but I would have to go and check. NSC comes under a different funding bill.

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-- Q Treasury-Postal.

A Right.

Q Well, I have omitted a section here, but I don't want to deceive you. The Treasury-Postal authorization is included in Public Law 98-473.

A I would say it is different. I believe it is a different title.

Q It is included within. I have omitted the pages and I will put them in this exhibit.

MR. KNAUER: We would like to see them. It would make it a little easier on, I think, Mr. Sciaroni.

MR. NIELDS: But what is it you are saying happened to the Public Law 98-473 later on?

THE WITNESS: What happened is the Intelligence Authorization Act, which took in the Boland amendment dictated which organization that applied to.

MR. NIELDS: Did it repeal Public Law 98-473?

MR. KNAUER: I think what he said is it restated it in Section 801.

BY MR. NIELDS:

Q My question is did it repeal Public Law 98-473 or did that still stay as the existing statute on the books?

A I will have to go back and check, but this law defines what --

Q This law referring to which one?

A The intelligence authorization defines what organization it applies to.

end bap
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fls bap

Q What organization, what applies to?

A The Boland amendment, section 801.

MR. KNAUER: Of Exhibit 10 is what he is referring to now.

MR. NIELDS: You are talking about the authorization statute?

MR. KNAUER: Section 801 of the authorization statute, the second page.

THE WITNESS: Right.

BY MR. NIELDS:

Q And you are saying that this authorization statute, which authorizes money for 10 specific agencies --

A Defines.

Q Somehow changes the earlier appropriations statute.

A It defines what organizations are prohibited from doing the prescribed activity.

Q Are you saying that it defines the agencies covered by the appropriations statute?

A Defines the agencies covered by the Boland amendment and encompassed in the intelligence authorization. I don't know how else to put it.

Q Let me ask you this: Is it possible for any agency of the government to spend money without an appropriations statute?

A No, everybody has to have an appropriation.

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Q You have to have an appropriations statute?

A Yes.

Q And the appropriation statute is the one which is Exhibit 11; is that correct?

A That is an appropriation statute.

Q Now, I think you have said that unless you have an appropriation, you can't spend the money?

A Yes.

Q My question to you, what is it that you are saying modifies the language in the appropriation statute that says no agency or entities of the United States involved in an intelligence activity may be obligated or expended for the contras?

A What I am saying is that the intelligence authorization defines what organization funds are affected.

Q I don't want to argue about it, but doesn't the authorization statute tell you what agencies are affected by the authorization statute?

MR. KNAUER: He said now, Mr. Nields, I appreciate what you are driving at, is that his understanding of the law was that that act occurred on November 8, 1984, which had to do with the intelligence activities. He enumerated the agencies that it referred to w the Boland amendment.

The continuing resolution you are referring to occurred on October 12, 1984, and certainly has much more general language, and as I understand what he said about, he said that the subsequent legislation refined, further refined the applicability of the amendment. That was his conclusion, his conclusion referred in on September 12, 1985.

I may not agree with it, but I think he has been reasonably consistent in responding and you may not accept his answer, but I don't think he can give you any more information.

BY MR. NIELDS:

Q Let me ask it this way, I guess. How can an authorization statute change the meaning of an appropriation statute?

A My understanding of the previous statute that you referred to, the subsequent Exhibit from October is a funding mechanism that covers a wide number of organizations, and if it was meant, if the Boland amendment was meant to apply to the entire U.S. Government, that is what it should have stated, that the Agriculture Department should not have been included, that the Commerce Department should not have been included, and so on and so forth.

The subsequent Intelligence Authorization Act, which incorporated the Boland amendment, defined the members of the intelligence community, that is, agencies or entities that are involved in intelligence activities.

Q Okay. I would like to turn to Exhibit 14. That is Executive Order 12333.

A Right.

Q I take it you are familiar with Executive Order 12333?

A Yes.

Q That is still in effect?

A Yes.

Q I would like you to turn to provision 1.8(e).

MR. KNAUER: What page?

MR. NIELDS: That is on B-107.

MR. KNAUER: Thank you.

BY MR. NIELDS:

Q Are you familiar with that provision?

A Yes.

Q It refers to special activities. I take it that would include covert intelligence operations?

A Sure.

Q And it says that no agency except the CIA may conduct any special activity unless the President determines that another agency is more likely to achieve a particular objective.

A Yes.

Q I take it that would mean that, for example, the NSC could not perform a covert operation unless the President has determined that it was more likely to achieve a particular objective than the CIA?

A Would you restate that again?

Q I take it that this section means that NSC could not perform a covert intelligence operation unless the President had made a determination that the NSC would be better at it than the CIA?

A That is not a topic that was covered in the memo.

Q No, I am just asking that question.

A If the President chose to use the NSC for a particular mission, he could do so.

Q But unless he chose that agency to do that mission, the agency could not do it, isn't that correct?

A That is right, the President would have to make a decision.

Q Do you know if the President ever made a decision that the NSC should conduct a special covert operation in Nicaragua?

A I have no knowledge of that.

Q Now, I would like you to turn to section 3.1.

A Where are we?

Q We are on the same document, page B-144.

MR. KNAUER: B-144? B-what?

MR. NIELDS: I am sorry, 114. 114.

THE WITNESS: What section was that?

BY MR. NIELDS:

Q That is section 3.1.

A Yes.

Q It says that at the bottom of section 3.1, it says, the requirement of section 662 of the Foreign Assistance Act of 1961, and section 501 of the National Security Act of 1947, shall apply to all special activities as defined in this order.

A Yes.

Q Again, special activities would include covert operations,I take it?

A Right.

Q That would include covert operations done by an agency other than the CIA, pursuant to Presidential authorization? Is that correct?

MR. KNAUER: If you are able to render an opinion.

THE WITNESS: I would want to -- I think I would want to consider that more to -- I would not prefer to make a judgment about that at this time. I think I would like to take a look at how special activities are further defined.

MR. NIELDS: Okay.

BY MR. NIELDS:

Q If you can, turn to page B-116, in the middle of the page there is a section headed (h) special activities, means activities conducted in support of national foreign policy objectives abroad, which are planned and executed so that the role of the United States Government is not apparent or acknowledged publicly, and function and supports of such

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activities, but which are not intended to influence United States political processes, public opinion policies or media and so on.

I think you already testified, and I take this definition confirms your testimony, that special activities includes covert intelligence operations abroad?

A I am not denying that.

end THOMAS

DOTSON fls
at 7:15

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Take #3

THE WITNESS: What is the question?

BY MR. NIELDS:

Q The question is, again, just to remind you, I think we earlier went over section 3.1 of this Executive Order which said the President could designate an agency other than CIA to do a special activity.

A All right.

Q I am sorry, that was 1.8 that said that. Then I am directing your attention to section 3.1, which says that section 662 of the Foreign Assistance Act of 1961 and 501 of the National Security Act of 1947 shall apply to all special activities as defined in this order.

I take it that would include special activities done by agencies other than CIA.

A What was the section? 141? You are referring to the reporting requirement.

Q The one headed "Congressional Oversight".

A Right.

Q And then has general language about the duties and responsibilities of the Director of Central Intelligence and heads of other departments and agencies, and then it says that these two statutes shall apply to all special activities as defined in this order.

My question is, I take it that applies to special activities that are done by agencies other than the CIA.

A That would seem to be the logical conclusion from that, right.

Q And these statutes, 662 of the Foreign Assistance Act of 1961 and 501 of the National Security Act of 1947, require that covert intelligence activities be supported by Presidential findings and notify the Congress.

A True. That is correct.

Q So that if the President were to designate the NSC to do a covert support of the war in Nicaragua, it would be required that Congress be notified and supported by a finding?

A If the President designated the NSC to do an intelligence activity, special activity, this statute would come into effect subject to any interpretations of the reporting requirement which have -- well, there are conditions of timeliness, et cetera, which would also come into effect as well. I am not prepared to discuss that today. I know there is an issue there.

Q Leaving aside the issue of timeliness for a moment, there would have to be a finding.

A There would have to be a finding.

Q And there would have to be timely notice, whatever that means, to Congress.

A Right.

Q Now, referring to classified --

A Is it referring to a classified document we have to discuss?

Q Yes.

We will try to make it short.

(Witness' attorneys leave room.)

THE WITNESS: Which exhibit are we looking at?

BY MR. NIELDS:

Q We are looking at Exhibit Number 15. First of all, are you familiar with NSDD 159?

A Not intimately. It has only recently been made available to me.

Q You are aware of it?

A I am aware of it.

Q And this is it?

A This is it.

Q I would like you to refer to page -- well, it is the fourth page of the exhibit, it is the second page of NSDD 159.

A I am sorry, I don't have the page numbers.

Q It is the fourth page of the exhibit. Just leaf down from the top of the exhibit. There, you got it.

A All right.

Q I direct your attention to approval procedures for intelligence.

A Right.

Q First of all, what is NSDD? What is NSDD?

drg-4

A National Security Decision Directive.

Q NSDDs are issued by whom?

A I assume the National Security Council.

Q This one is signed by Ronald Reagan.

A It was prepared -- I am not in that process, so I don't typically review these things.

Q I take it NSDD 159 relates to covert action policy approval and coordination procedures.

A Right.

Q And, again, referring to the page of the exhibit that is in front of you, there is a section headed "Approval Procedures for Intelligence".

A Yes.

Q And it says at 1, "Presidential Findings", and it says, "The President shall approve all covert action", I believe that is findings, "in writing".

A Yes.

Q I take it that requires covert action findings to be approved in writing.

A That would be the implication.

Q Then there is a section, a sentence later on that says "EO 12333" -- that is Executive Order 12333 you just testified about.

A Right.

Q This directive established covert actions undertaken by components other than CIA also require a Presidential finding.

A Okay.

Q That is what I think you already testified to.

A Right.

Q Then it says each covert action is already considered a significant anticipated intelligence activity under section 501 of the National Security Act and subject to certain Congressional reporting procedures, and that is what you also just testified to?

A Right.

Q Then again it says in section 2, subsection 2, "In accordance with Executive Order 12333, the Central Intelligence Agency shall conduct covert actions unless the President specifically designates another agency of the government."

Again, I think that simply repeats what you have testified to under Executive Order 12333?

A Right.

Q I would like to go back to your opinion. You had testified, I think you started to testify that there was a --

MR. LEON: Can his counsel come back?

MR. NIELDS: Sure.

(Recess.)

BY MR. NIELDS:

Q Back on the record.

I want to return to your opinion, which is Exhibit 9. I think you started to say earlier that the hard legal basis for your opinion was that the NSC was not listed as one of the 10 intelligence agencies.

A That is correct.

Q I thought you were going to say a softer basis for your opinion was that the NSC did not engage, as a general matter, in operational intelligence matters.

A I assume that is the rationale for why it has never been listed in any of the authorization acts.

Q That was one of the rationales for your opinion as to why it wasn't covered?

A With the caveat that it is typically not involved in operations.

Q But I am saying that that was one of the -- another basis for your opinion, that the NSC does not function as a member of the intelligence community?

A Does not typically function as a member of the intelligence community.

Q And that was one of the bases of your opinion the Boland Amendment didn't apply?

A Yes.

Q I think you have said in interviews you regarded that as a softer basis for your opinion.

A That is true.

Q You also said in your opinion, that section of your opinion, you said if the letter of the law does not include the NSC as a member of the intelligence community, neither does the spirit of the law.

I take it your point there is that if the NSC does not do intelligence activities, then it is consistent with the spirit of the law it wouldn't be covered?

A I think I was referring there to the spirit of the Boland Amendment.

Q That is what I was referring to as well. My question is the following, and I think you have answered this in interviews that we have had informally with you before, that if it turned out that the NSC was in fact conducting a covert intelligence activity in support of the contras, that although that may not violate the letter of the law, it would have given you some concerns about whether it was violating the spirit of the law.

A I wouldn't go that far. I think that there may have been Congressional people who thought it violated the spirit of the law.

Q Well, did you understand it to be the intent of Congress, in enacting the Boland Amendment, that the President could go find some other agency of government, EPA or any other agency of government, and use its funds to support the war in Nicaragua?

A I believe Congress intended for the members of the intelligence community not to be involved in operations in Nicaragua in support of the Democratic Resistance.

Q Did you think it was the converse, that U.S. money should not be spent in support of intelligence activities in Nicaragua?

A It is my understanding that no funds allocated to the members of the intelligence community have been used to support, directly or indirectly, military or paramilitary operations in Nicaragua.

Q I think you have answered my question, but I want to make sure.

MR. KNAUER: I will object after the third time.

MR. NIELDS: I am going to ask it one more time. I think I can ask it in a yes or no form.

BY MR. NIELDS:

Q Do you believe it would have violated the spirit of the Boland Amendment for the NSC to be used to give covert support to the war in Nicaragua?

A Congress indicated, when it attached the Boland Amendment to the Intelligence Authorization Act, that no members of the intelligence community should be engaged in supporting the Nicaraguan Democratic Resistance.

MR. KNAUER: What he is talking about -- the language might help. It says the letter of the law, and I am quoting from the language you are discussing, the letter of the law does not include the NSC as a member of the intelligence community, neither does the spirit of the law.

And what he is talking about is whether or not the NSC comes within or without the restriction, either as a matter of law, a matter of spirit or a matter of Congressional intent. He is not talking about the spirit with respect to covert actions by agencies, such as the Department of Agriculture, for example.

MR. LEON: Let me ask. Was it your feeling at that time if Congress intended to cover the NSC it would have so stated?

THE WITNESS: That is exactly my point.

BY MR. NIELDS:

Q Well, but you have also made the point Congress didn't think of the NSC as an agency that was likely to engage in this kind of conduct.

A I think I went over several times last time, Mr. Nields, a comment made by a member of HPSCI ~~HIPS~~I, in which he said the law was ambiguous --

MR. LEON: What member?

THE WITNESS: George Brown was quoted in the newspaper to that effect. Other things that occurred at that time reflected the fact there was an ambiguity there, and I state in this memo if Congressman Boland had wanted them to be covered by it, he had ample opportunity. There was legislation for, you know, any number of opportunities he could have had if he had wanted to bring that in. It wasn't as if the issue wasn't clear at that point. The issue of the ambiguity of the NSC was in the newspaper, it was stated by colleagues of his, and if he had wanted to do it, he could have done it.

MR. LEON: If he could have gotten the votes?

THE WITNESS: If he could have gotten the votes, that is right.

BY MR. NIELDS:

Q When was this statement made by Mr. Brown?

A I will have to research that.

Q Was it contemporaneous?

A It was August of 1985.

Q So following the enactment of the statute?

A That is right. I have a number of citations to that effect as well. The ambiguity, it was clear at the time. Why that wasn't fixed or attempted -- I don't even think an attempt to fix that was made.

Q I think it would be helpful if you could produce to the committee, maybe before the end of the week, whatever documents you are referring to that demonstrated the ambiguity was clear at the time. I am sorry, I don't --

MR. KNAUER: There was a reference made to a statement, we will try to seek that out and collect whatever others we can.

MR. NIELDS: That would be very helpful.

MR. KNAUER: Is that all right with you?

THE WITNESS: Sure.

MR. NIELDS: Or later on. I think a statement by Mr. Brown would be -- if you could --

THE WITNESS: I thought I had made plenty of references last time. But obviously I didn't.

MR. KAPLAN: Could I ask some questions?

MR. LEON: Usually with House witnesses, we will let the House Counsel go first.

MS. FOLEY: Can we ask if you had any help in preparing this opinion?

THE WITNESS: This?

MS. FOLEY: Yes.

THE WITNESS: The board, as a matter of course, will go over any work product prior to it leaving our office.

MS. FOLEY: Did you talk to anybody on the Hill?

THE WITNESS: I talked to some people, and I don't recall who. I talked to some people, I did.

BY MS. FOLEY:

Q Like whom?

A Gary Schmidt, a colleague of mine at the White House, who used to be with the Senate Select Committee.

Q Anybody else?

-- A I don't think so. I would have to think about it. I don't recall offhand.

MR. KAPLAN: I am James Kaplan. I am Associate Counsel with the Senate Select Committee. We have met a couple times before. I just have a few questions, and I will be brief.

BY MR. KAPLAN:

Q You testified earlier this evening that there were a number of exhibits, I believe they are Exhibits 4 through 8, if I am not mistaken, that if you had seen -- that if you had seen those exhibits, they would have jumped out at you.

A Yes.

Q They would have made an impact on you.

A They would have.

Q Can you tell me -- and that they were relevant to your inquiry?

A Indeed they were relevant.

Q Can you tell me for what purpose these would have been relevant and for what purpose they would have jumped out at you?

A The allegations had to do with the military advice to the Nicaraguan Resistance and fund-raising. I would have wanted to have examined them, those kinds of documents, a lot more closely if they had been presented to me.

Q And would they have affected any conclusions in the memorandum that has been marked as Exhibit Number 9?

A You mean the Boland Amendment?

Q Right.

A I would -- I mean, clearly it would have affected the fact-finding portion, and if I had made a determination, and I don't want to make a snap judgment about documents I haven't had a chance to properly review, but with regard to the footnotes about whether Colonel North was on a reimbursed detail or on a regular detail, that clearly would have been more important than making a determination about what his status was.

Q And what kind of effect would these documents have had on the memorandum? I am taking into account you haven't had an opportunity to review them thoroughly.

A I really don't want to comment dispositively on documents I haven't had a case to analyze.

Q Would they have related solely to Roman Numeral Two in section 2 of the memorandum?

A Section 2 is the fact-finding --

MR. KNAUER: You are referring to section 2? Pardon me.

THE WITNESS: Yes, it would have been related to that, but also footnote 5 would have also been important.

BY MR. KAPLAN:

Q Footnote 5 is tacked onto part 1(c) of the memorandum?

A Well --

Q Is that correct?

A A.

MR. KNAUER: 1(a).

BY MR. KAPLAN:

Q Is it possible the substance of these memoranda would have affected your conclusions throughout the memorandum?

A Well, not on the bulk of the first section, certainly not, because, again, that had to do with whether the Boland Amendment applied to the NSC in general, not with regard to the particulars of Colonel North's status there.

Q As I read the conclusion of part 2 of the memorandum, you conclude none of Lieutenant Colonel North's activities in the past year constitute a violation of the Boland Amendment, even if the amendment applies to the NSC. Is that correct? I didn't employ a creative use of the ellipsis.

A That is right.

Q I take it the memoranda which have been marked as Exhibit 4 through 8 might have affected the portion of the conclusion that I just read.

A Certainly.

Q All right. Is it also possible that the memoranda which have been marked as Exhibits 4 through 8 might have affected part 1(c) of the memorandum which relates to whether or not the NSC functions as an operational intelligence agency?

A In this way, it would have had a caveat it typically doesn't operate in that function, but the President from time to time may choose to use the NSC for activities that are not simply coordinating policy, and so on and so forth.

Q You testified earlier with respect to Executive Order 12333, if the President so chose, it likely would have had to have been supported at the time with Congressional notification.

A That is true.

Q And you also testified earlier you are not aware that any such findings for Congressional notification was done.

A That is right, that is right.

Q Can you describe the nature of the legal research that was done to prepare this September 12 memorandum?

A What do you mean? I don't understand.

Q What did you do? You described earlier, in response to Mr. Nields' questions, what you did with respect to the factual inquiry.

A Right. You go to the law library and dig out the pieces of legislation. It is straightforward legal research.

Q What I want to know is precisely, to the best of your recollection, what did you do?

A There is no way I could -- you look at the indexes and look up -- I don't understand what you are --

Q Do you recall having read the legislative history?

A Yes.

Q Do you recall having read prior Boland Amendment legislation?

A Our office has done some work with that, yes.

Q Had you done any in connection with this memorandum?

A No. My predecessor had done analysis of the, I think the '83 Boland -- that's been provided.

Q How much time would you say you have spent doing legal research?

A I would have no idea, recalling two years later.

Q Do you recall it being a lengthy task or something, because of your familiarity with the subject area, you probably didn't spend a whole lot of time on?

A I spent as much time as required to do the legal research, and I can't characterize how many hours it was.

Q I am not trying to be coy, I am trying to get an idea as to how much time you spent in preparation in this memorandum.

A I suspect, if you went back and looked at the memo produced two years ago, you could not recall how much time you spent.

Q That may or may not be true. It would depend, personally, on the memorandum and the impact it had on me at the time.

Did you circulate this memorandum draft to anyone before it was presented to the board?

A I don't recall having circulated it.

Q But you do have a practice from time to time of circulating the draft?

A I occasionally will. It depends on the memorandum in question.

Q And who normally would you choose as a resource to circulate a classified memorandum such as this one?

A There is no normal -- oh, if you are asking specifically about this one, I don't recall having circulated that. It would depend on a case-by-case basis, who I think might lend some helpful criticism.

Q You indicate a copy of this memorandum without the letterhead and so forth was found in Colonel North's safe.

A I am aware of that.

MR. LEON: Is it Exhibit 9(a)?

THE WITNESS: Yes.

BY MR. KAPLAN:

Q You have told us during the course of the interviews that Exhibit 9(a) is identical to Exhibit 9 but for omission of the letterhead and date and whatever else that would normally go at the top of a memorandum.

A Yes.

Q Did you give a copy of this memorandum to Colonel North?

A I don't recall having done so.

Q Is it possible this may have happened?

A It is possible.

Q How else would he have gotten a copy of the memorandum?

A From NSC, from McFarlane's office, I suppose.

Q Mr. McFarlane testified, I believe, at public hearings that he did not recall ever having seen that memorandum.

A I noted his testimony with a great deal of interest.

Q Why would North, to your knowledge, have cut off the letterhead and routing information?

A I don't know, to be absolutely honest with you.

Q Were there memoranda that you did circulate to Colonel North, either in draft stage or final form?

A I don't recall ever giving him a final form, but you came up with two different memoranda in his files which I did provide for any input he may have wanted to give me on that. I did not recall those until you came up with those.

Q Did you ever hear from anyone in the NSC or West Wing in response to memoranda circulated?

A Typically, when we sent something to the National Security Advisor, we never heard back anything. That was the most typical, I can't recall ever having heard back. Once it goes, I can't recall an instance of ever having heard back.

MR. KAPLAN: I have no further questions.

BY MR. FEIN:

Q Do you recall there being any statutes enacted since creation of the National Security Council of 1947 that attempted to restrict the President's use -- what I am asking is if the Boland Amendment applied to the NSC, would that be the first time, to your knowledge, in the history of the NSC Congress attempted to restrict --

A I cannot think of a prior occasion.

Q Are you aware of the general rule of statutory construction that a statute that proves to have a loophole is not to be amended by the Judiciary unilaterally, that if a statute proves to have flaws in it, it takes an amendment to the statute in order to cover activity?

A I am generally aware of that, yes.

Q Look at the Executive Order in Exhibit 14, the last page, 3.5, I believe it is B-116 is the numeration of the page number. It says "This order is intended to provide guidance and direction to the intelligence community", referring to Executive Order 12333. Isn't it true, in the definitional section of this Executive Order, the NSC is not deemed within the intelligence community?

A That is correct.

Q So that, for instance, the special activities provisions would not apply to the NSC since the order only reaches entities within the intelligence community, as so defined?

MR. KNAUER: Where is the intelligence community defined?

MR. FEIN: In 3.4, subsection F on page B-115. It is the penultimate page of the Executive Order. Look at 3.4, the definitional section, and then you see subsection F, which defines intelligence community.

THE WITNESS: What was the question again?

BY MR. FEIN:

Q Wouldn't it be true, the order, insofar as it controls special activities of the intelligence community, would have no effect at all insofar as the NSC is concerned because it is simply not a member of the intelligence community as defined in the order?

A That would certainly be an interpretation, yes.

Q Is there any ambiguity to that? It is pretty specific when it defines intelligence community, isn't it?

A Right.

Q It enumerates seven specific entities, none of which includes the NSC.

A Right. Actually, more than seven entities since it has a service organization.

Q Are you aware of interpretations of the statutory requirements that compel the President to report to Congress on certain covert activities,that the requirements would not apply if the President is exercising inherent Constitutional power to implement national security?

A Right.

Q And, lastly, are you aware of a rule of statutory construction that statutes should be interpreted whether or not one statute repeals another so that an intelligence oversight act providing for an authorization, although it is not, may not repeal an appropriations bill, if it deals with and addresses the same subject under the rule of interpreting statutes, one would provide a loss on the other?

A I am aware of that.

MR. FEIN: That is all I have.

MR. LEON: Let me just ask a few questions.

BY MR. LEON:

Q At the time you wrote this opinion, who were the members of the President's Intelligence Oversight Board?

A Dr. W. Lynn Campbell and the two members are Charles Myer and Charles Tyroller, the second.

Q You said Charles Myer, is that right?

A Right.

TOP SECRET

UNCLASSIFIED

-- Q Wasn't he the Dean of Stanford Law School?

A Former Dean of Stanford Law School, and accomplished scholar, legal scholar.

Q What is his field of scholarship, if you know?

A I don't know. He is in private practice now.

Q Did you submit this opinion when you wrote to him?

A Yes, I did.

Q Do you know if he wrote it?

A We invariably sat around the table and went through drafts before they leave our office. He did indeed read it. He asked questions, comments, or whatever. I don't specifically remember what was said, but he certainly would have read it and approved it.

Q And the other gentleman's name, again?

A Charles Tyroller and Dr. W. Lynn Campbell.

Q With regard to Tyroller, what is his background?

A Director of the Committee on Present Danger Bipartisan Group, here in Washington, of National Security Council.

Q Is he a lawyer?

A No, he is not.

Q How about the other gentleman?

A He is an economist. He is the Director of the Hoover Institution at Stanford University and scholar of some note.

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Q Your opinion is dated September 12, and, to the best of your recollection, how far in advance of that opinion, September 12, did you meet with Mr. North?

A I would think -- again, I don't have it in my calendar, and I don't recall -- but it was late August or early September, I just don't know.

Q And before you met with Mr. North, I believe you testified you never met Mr. Thompson?

A I don't recall the sequence I met with.

Q Would it have been the approximate time, the two meetings?

A I think, approximately.

Q When you met with Mr. Thompson, did Mr. Thompson indicate to you the documents he was presenting you to review was the same stack of documents that had been presented to the White House Counsel's office, in particular Mr. Fielding?

A Fielding's name did not come up, neither did the White House Counsel's office.

Q Did not come up. So as of the time when you wrote your opinion, you have no knowledge as to whether or not any of the documents you have reviewed were looked at by White House Counsel.

A That is true.

Q If they had been looked at by the White House Counsel's office -- let's put it this way. If you had been told they had been looked at by White House Counsel's office, would you have talked to them about it? What would you have done?

A The exhibits in here?

Q Yes.

A It is possible I would nave gone and talked to him.

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-- Q Did you happen to hear Mr. McFarlane's testimony when he was on the stand?

A Yes, I heard some of it.

Q Mr. McFarlane, I believe it is my recollection, testified that he did meet at one point with Mr. Fielding personally?

A Yes.

Q And presented him a stack of documents,which included, according to his testimony, the very documents here that were not, to the best of your recollection, not shown?

A Right.

Q And that he testified that while he didn't pull them out separately and present them to Mr. Fielding,he did have them in that pile and made reference to them just in general terms. Now, was there ever brought to your attention back at,in the time frame---

A No. And I wasn't familiar with that testimony by McFarlane.

Q What is the relationship, if any, with the White House Counsel's office and your office, your role?

A Well, we have an independent status at the White House. We report directly to the President on matters of intelligence,and if Fielding wanted to offer up an opinion of his own on a matter that he thought was important to have input on, he certainly could, just like the NSC General Counsel could issue, an opinion on the same subject matter.

Q In the time you have been there, almost three years now---

A Yes.

Q Has there ever been an occasion when either the White House Counsel himself, or one of his staff lawyers, called you up, your office, to try to get you to help them with a problem relating to an intelligence oversight?

A I can never recall any instance.

Q How about the other way around, are there instances since you have been there, where you in the process of either investigating a problem or in the process of writing an opinion based on your investigation, turned to them for help?

A I can't recall an instance.

Q For insight and assistance?

A No.

Q In the writing of your opinion, I believe you testified that it was based on your research and investigation; is that right?

A That is right.

Q Did you at any time, either prior to writing it or after writing it, suggest to anybody over at the White House, that they may want to get the opinion on this very issue, the applicability of Boland, that they might want to get the opinion of the White House Counsel's Office, or the Office of Legal Counsel, Department of Justice?

A I did not imagine a suggestion like that.

Q Did anybody tell you that they were going to seek such an opinion from either the White House Counsel's Office of the Office of Legal Counsel at the Department of Justice?

A No.

Q Does that strike you as strange?

A It does strike me a little bit strange that in the course of the investigation I have seen little else written on the applicability of the Boland Amendment to the NSC?

Q The NSC isn't specifically mentioned in the Boland Amendment, as we have pointed out?

A I think we have established that.

Q And I think you have commented to the effect and testified that had it been specifically mentioned there might have been some problem with getting enough votes perhaps?

A That is one inference you can draw.

Q To pass the amendment -- let me ask you this, if it has been included, if it had gotten enough votes to pass, do you think there would have been some kind of a constitutional challenge or question raised as to whether jm 4

Congress could have extended its powers in this arena in that manner?

A Although my memo obviously did not address that issue, it would have been of questionable constitutionality.

Q Do you think that would have been pursued and challenged?

A I can't speak for the White House as a whole, or NSC; I would think so.

Q Let me put it to you another way. Had it been included specifically, do you think, in essence, Congress by doing so would have been, in essence, creating the likelihood of some kind of constitutional challenge in the courts?

A Sure, I think so.

Q Perhaps, even in the United States Supreme Court?

A I think it would have to go up to that level.

Q Do you have any reason to think that by not including it, Congress wanted to avoid facing that kind of constitutional challenge in the United States Supreme Court?

A That is a possibility. I can't look into the minds of Congress, and I didn't seek out a referendum on the Hill before I wrote the memo, as to why they put it one way as opposed to another.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. FEIN:

Q Certainly any ambiguity in the statutes should be interpreted to avoid constitutional inclinations of the type that would be implicated if there was explicit including of the NSC in the Boland Amendment?

A That is right.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. LEON

Q Now, you have been presented with those documents that were not included to you. Do you have any knowledge as to whether or not those were purposely not presented to you.

A I have no knowledge about that. You would have to ask the people at the NSC.

Q Mr. Thompson?

A That is correct.

Q Admiral Poindexter?

A That is right.

Q Do you have any evidence to indicate that they were purposefully kept from you?

A I don't have any evidence one way or the other.

Q So it could have been negligence or it could have been purposefully?

A That is true.

jm 6

-- Q With respect to Colonel North and your discussion with him, certainly Colonel North didn't volunteer when he talked with you, if I understand your conversation with him, any of the information contained in those documents, did he?

A No, he didn't.

Q Did you feel that your questioning of him was such that he should have been expected to volunteer things along these lines?

A I would have to review the documents to see if he -- I can't look into the mind of Colonel North.

Q I guess what I am getting to, Mr. Sciaroni, do you feel in hindsight, having reviewed those documents, that Colonel North offered, and was familiar with clearly, do you feel that he did deceive you, if you have an opinion? I don't know if you have an opinion.

A Well, I don't think I would want to address the issue. It is better put to Colonel North as to why he didn't draw my attention to certain things that he was doing, whether he thought that, I just don't know what he thought about that.

Q Do you have any knowledge of Colonel North, subsequent to your opinion being written, do you have any knowledge of him going to other parties and telling them that he had received from the intelligence oversight board an opinion which concluded that his conduct was fine?

A I have no knowledge that he ever raised it with anybody.

Q Let me turn your attention to Exhibit 7, page 2. The document in Exhibit 7, page 2, I was struck by something I noticed in there. I want to ask you about it, if you had any knowledge about it.

Bear with me a second while I try to locate it. In the middle of the page, Mr. Sciaroni, there is a section captioned "Additional requirements"?

A Yes.

Q It is page 2. I am not being clear. It is not page 2 of the document, it is page 2 of the attached memo?

A Yes.

Q In the middle of the page it says "Additional requirement"; do you have that?

A Yes, sir.

Q Right below it there is a paragraph?

A Yes.

Q Now, I want to look at two sentences. There ~~is~~ are two sentences in the paragraph. The first sentence says, "Informal contact several months ago with a lawyer sympathetic to our cause indicate that such a procedure would be within the requirements of the law." And this is a memo, is it not, that is being authored or purports to be authored by Oliver

North to Robert McFarlane?

A Right.

Q Now, do you have any knowledge of who this lawyer might be sympathetic to "our cause," that North is referring to in the memo to McFarlane?

A No.

Q Did Colonel North ever mention to you any outside attorney that he was going to seek legal advice with respect to -- let's start with Nicaragua?

A No.

Q Did Colonel North indicate to you in the summer of 1986 at any point that he had had meetings with Leonard Garment and Tom Glen, an attorney here in town?

A No, he never mentioned that to me.

Q Now, the second sentence in that paragraph says, "Fred Fieldings should be asked to conduct a very private evaluation of the President's role in making such a request." Do you have any knowledge of Mr. Fieldings, White House Counsel at that time, either being asked to do such a thing or, if so, having done such a thing?

A I have no knowledge.

Q In one last thing, when you went to Colonel North in response to the press inquiries, I think you have testified recently that previously that during August of 1985, there were a number of press inquiries and you kept some of the clippings of them, et cetera?

A Yes, sir.

Q When you went to talk to him, did you inquire whether or not there was any truth to the press clippings that indicated that his wife and family's lives were in danger at that time?

A I was well aware of the news stories to that effect.

Q Did he verify the truth of those, that his family had moved away from his home?

A Yes, he did.

Q Thank you.

I have no further questions.

EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

BY MR. O'NEIL:

Q Two questions.

Going back to the beginning of your testimony, I take it from what you have said, the investigation which led to this memo that we have been talking about, the September 12 memo, you wrote, came about or was specifically initiated because of newspaper articles that you had received which, I think, came to your attention in August of 1985?

A That is right.

Q So it was not at the request of any individual member of the board or anyone else?

-- That is correct, although I cleared it with the board.

Q I see. When was it discussed with the board, the draft that you prepared?

A At the time of the meeting we held on September 12.

Q So it was considered by them and approved by them?

A On the 12th of September, sure.

Q And, were any changes made to it?

A Yes, there were changes to it.

Q Can you give the sense of what those changes were?

A I can't recall two years later, you know. Again our standard procedure is we all work off the copy, line-by-line, page-by-page. I can't recall now what changes. I know there were changes made. There always are. I can tell you for sure I am not such a fine craftsman that any draft I ever write is going to be approved and I know there were changes made. I don't know, I couldn't account to you now what changes. I simply don't keep copies of the drafts.

Q Would they have been changes of nuance, or what?

A I can't recall, it was two years ago.

Q They would not have been changes of fact in as far as the fact-finding part of your investigation?

-- A That is true. Again, they probably worked over the language that I presented and made it a little more eloquent; but no, the factual aspect of it certainly wouldn't have been changed since I did the fact-finding.

Q And to whom was the opinion then provided after it had been approved by the board?

A Directly to Mr. McFarlane.

Q Because he was head of the NSC?

A No, because he is the adviser to the President of the National Security Affairs. He does wear three hats. The National Security Adviser typically is head of the staff and also the adviser to the President for National Security Affairs.

Q So if you can explain to me, it was given to him in his capacity as National Security Adviser and then adviser to the President?

A Yes.

Q Exactly why was it given to him?

A In the Carter Administration, the Reagan Administration is more decentralized, and although our Executive Order says we reported directly to the President, sometimes we do, but more typically, we will go through the National Security Adviser because that is the scheme since it started in the Administration, that you go to him in his capacity as the Adviser for National Security Affairs to the President. So typically, that is what I started off by saying, typically, memos go to, memoranda that we generate typically go to the National Security Adviser.

Q So it was intended for the President, this is the way routinely reports were provided to him through this National Security Adviser?

A Yes, if there is a report that, or memo that is significant, it will go directly to the President; if it is deemed significant enough. But more routine matters will go the National Security Adviser.

Q And I take it from your earlier testimony that you ~~often~~ often, the board ~~often~~ often did not know whether an opinion they provided was seen by the President, or what his reaction was, you did not get that feedback?

A We did not.

Q You did not in this case?

A I never heard any more about it. I probably didn't hear anything about it until this thing blew. In fact, some of the board members were surprised. They had forgotten we had done this until this matter came up.

Q As you know, and heard earlier, Mr. McFarlane testified that he doesn't recall seeing it?

A It is a ~~mystery~~ mystery to me.

Q Was it handed to him personally or do you know?

A We typically do not send things of this nature --

you don't send it through inter-office mail, our secretary will walk it over. Who she gives it to, whether it is somebody in the NSC Secretariat or one of the personal secretaries to McFarlane, I would have to ask her. We give it to her and she walks it over to the west wing.

Q It would have been taken to Mr. McFarlane's office, but who actually received it?

A To McFarlane's office OR to, perhaps, the sitting room, or I don't know what the routing is at NSC, maybe the Deputy Director for National Security Affairs. I am not sure. I can find out. It is not a big deal, but we give it physically to her and she walks it over.

Why he never saw that, I don't have the foggiest notion. I thought that maybe he had forgotten he had seen it and forgotten it, but somebody else might think that it got routed to somebody else; I don't know.

Q One last question; on a different topic.

You indicated earlier, in response to a question that it had been clear to you that if the Boland Amendment extended to cover or contain the activities of the National Security Council, it would have in your mind posed a constitutional issue.

A Yes, sir.

Q Would you just give a sentence briefly why that would be so, why would a statutory restriction of this kind, if it applied to the NSC, it was clear to you it did apply to the NSC, what sort of contitutional issue would have been presented.

MR. KNAUER: I believe he testified he was aware there would be a constitutional consideration, but he didn't do the research.

BY MR. O'NEIL:

Q I am not asking you to give us the benefit of your research you didn't do, I am just trying to get a sense from what the issue would be, not how you got there or what your conclusion would be, what is the constitutional issue it posed?

A Traditional foreign policy prerogatives and powers of the President.

Q Such prerogatives are routinely constrained by statute?

A They can be and in this case, had this occurred, we might have had a challenge by the Administration on the basis of constitutionality. That is all I said earlier. It would raise constitutional questions, certainly would raise constitutional questions.

Q In other words, you were addressing the constraints on the President, as the propounder and executer of foreign policy, and not on the choice of an agency which resides or is reflected in the table of organization being within the Executive Office of the President?

A I am sorry.

Q Am I putting words in your mouth?

A I think you are putting words in my mouth. I am not sure what the words are.

Q It is late, I know.

The issue for you would have been constraint on the President's exercise of his conduct of foreign policy as opposed to those individuals which by the statute might actually be constrained?

A It could cover both. Again, I didn't have that in the memorandum. I am not really prepared to go into a discussion of that at this point.

Q Fine.

Thank you.

MR. NIELDS: Everybody is finished?

Okay; so I think we have two outstanding matters. One is a better copy of the notes, and the other is the materials that you referred to showing contemporaneous awareness of Congress there was ambiguity in the Boland Amendment?

THE WITNESS: Sure.

MR. KNAUER: You will follow up, as you promised to, on our request for an executive session?

MR. NIELDS: Yes.

MR. KNAUER: Also on the deposition?

MR. NIELDS: The deposition availability.

(Whereupon, at 8:20 p.m., the deposition concluded)

end jm

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Committee Hearings

of the

U.S. HOUSE OF REPRESENTATIVES

4113

Declassified/Released on DEC 30 1987
under provisions of E.O. 12356
by D. Sirko, National Security Council

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DEPOSITION OF GENERAL RICHARD B. SECORD

Friday, February 6, 1987

House of Representatives,
Select Committee to Investigate
Covert Arms Transactions with
Iran,
Washington, D.C.

The select committee met, pursuant to call, at 9:30 a.m., in Room 2237, Rayburn House Office Building, [redacted]. John W. Nields, Jr., Chief Counsel, Chief Counsel to the Select Committee, presiding.

. Whereupon, GENERAL RICHARD B. SECORD, after having been first duly sworn, was called as a witness and testified as follows:

. EXAMINATION

. BY MR. NIELDS:

. Q Good morning. Will you state your name and spell it just for the record, please.

. A Richard B. Secord, S-e-c-o-r-d.

. Q Mr. Secord, General--I take it you are a retired general?

. A Retired major general, Air Force.

. Q General Secord, as I have already told you before this deposition began, I am John Nields, I am the Chief Counsel to the House Select Committee to Investigate Covert Arms Transactions with Iran and it is in the course of that committee's work that we are taking this deposition.

. I would like to mark first this subpoena as Stanford Technology Exhibit No. 1.

. [The following document was marked as Exhibit ST-1 for identification:]

. ******** COMMITTEE INSERT ********

Declassified/Released on DEC 30 1987
under provisions of E.O. 12356
by D. Sirko, National Security Council

. BY MR. NIELDS:

. Q Standard Technology Deposition exhibit No. 1 is a subpoena addressed to Stanford Technology Trading Associates, Inc., and it calls for that corporation to designate one or more officers, directors, managing agents or other persons to testify on certain subjects at this deposition.

. This deposition is being taken pursuant to that subpoena.

. I take it that you are the designee of Stanford Technology Trading Associates, Inc. for the purpose of this deposition?

. A That is correct but the title of the firm is incorrect.

. Q Okay. Why don't you state for the record what the correct title of the firm is?

. A Stanford Technology Trading Group International.

. Q With an Inc. on the end?

. A Inc., yes, a California corporation.

. Q California?

. A Yes, a California corporation.

. Q Are you affiliated with any other corporations that have the word ''Stanford Technology'' in them?

. A I am--

. MR. GREEN: Just a minute. Let me consult with you.

[Whereupon, the witness consults with his attorney.]

MR. GREEN: All right. I will let the witness answer.

THE WITNESS: I am a director of the Stanford Technology Corporation, which is a California corporation security systems company. No other companies.

BY MR. NIELDS:

Q No others?

A No.

Q I take it in any event that your appearance today is not on behalf of ~~Stanford~~ Technology Corporation, but rather Stanford Technology Trading Group International, Inc.

A Yes.

Q Is there a reason that you selected that company rather than Stanford Technology Corporation or rather that you interpreted this subpoena as applying to STTGI, rather than Stanford Technology Corporation?

MR. GREEN: Well, let me say that the subpoena is directed to an entity different from both that have been identified and inasmuch as it was served essentially at the offices of Stanford Technology Trading Group International, we presumed that it was a subpoena directed to Stanford Technology Trading Group International.

. Moreover, Mr. Secord's connection with the other Stanford Technology entity is basically ceremonial in nature. He is a director.

. MR. NIELDS: Fine.

. BY MR. NIELDS:

. Q I take it that Stanford Technology Corporation does not have offices in Vienna, Virginia?

. A No, they do not.

. Q Okay. I would like to first ask you some questions about the company's organizational structure and from now on when I refer to the company, I am talking about Stanford Technology Trading Group International, Inc.

. Who are now the officers of the company?

. MR. GREEN: Go ahead.

. THE WITNESS: The chairman is Albert Hakim, H-a-k-i-m. The President is me. Those are the officers.

. BY MR. NIELDS:

. Q There are no other officers?

. A No other officers.

. Q Are there any other employees of the company?

. A Yes.

. Q And who are they?

. A Robert Dutton who is staff director. Joan Corbin, C-o-r-b-i-n, secretary; Shirley Napier, N-a-p-i-e-r, is administrative assistant. That is it.

Q There are no other employees of the company?

A No.

Q What are Mr. Dutton's functions as staff director?

MR. GREEN: Let me talk to you for a minute.

[Whereupon, the witness conferred with his attorney.]

THE WITNESS: Mr. Dutton performs assignments as given him by Mr. Hakim or myself. He is a utility infielder for us, shall we say. He is a highly experienced man who we trust and rely upon.

BY MR. NIELDS:

Q What are Shirley Napier's functions?

A She does first echelon bookkeeping and secretarial jobs.

Q And what are ~~John~~ JOAN Corbin's functions?

A Strictly secretarial, steno, receptionist and steno.

Q Who directs their activities, who do they report to?

A Day to day, Mr. Dutton directs them and of course I direct them as necessary.

Q Does one direct the other?

A No.

Q But I take it it is fair to assume that Shirley Napier's functions are more complex and responsible than

~~John~~ Joan Corbin's?

. A Yes, sir. Indeed.

. Q Does the company have a board of directors?

. A Yes.

. Q And who are its members?

. A Mr. Hakim, and myself.

. Q Are there any others?

. A No.

. Q Who are the company's shareholders?

. A Mr. Hakim and me, 50-50. There are no others.

. Q How long have you been the president of the company?

. A Since we started the partnership and I don't remember the exact month. So I would have to give you an approximate month. 1983. September.

. Q You refer to a partnership. When the company was started was it incorporated from the beginning?

. A It was incorporated by Mr. Hakim in California. He lives in California. That is why it was incorporated there. In early '83 pursuant to a new law, which took effect in '83, the exact title of which I have forgotten but it authorizes the formation of trading groups in the United States for the first time, so it was in early 1983 that Hakim chartered this new trading company. Many others did the same thing. There was a spate of trading--there were a large number of trading companies incorporated in 1983. I did not become associated with the company, though, until the date I indicated, about September as I recall of 1983.

. Q But it was already a corporation when you joined it.

. A For some months since early 1983.

. Q When you refer to a partnership, was the other partner Mr. Hakim?

. A Yes.

. Q Were there any additional partners?

. A You will have to ask Hakim what took place before I came on board but, since I have been on board, one of his employees owned 10 percent or something like that for a few months I think during the period that phased in. That situation was eliminated and the stock certificates giving me 50 percent of the company were issued before the end of 1983 and I recall, or early 1984.

. Q Who was that employee?

. A You know, I don't remember, sorry. He was an employee of Mr. Hakim's. I don't remember the name. I only met him once.

. Q Other than him I take it you and Mr. Hakim have been the sole shareholders since 1983?

. A Yes, sir.

. Q How long has Mr. Dutton been affiliated or associated with the company?

. A Since sometime in May of 1986.

. Q How long has Shirley Napier been affiliated or associated with the company?

. A Since--twice. She worked for us once [redacted] in late 1983 for as I recall about a year. Then she went to school and came back to work for us again in late 1985.

. Q So she has worked for the company from late 1985 until the present?

. A And once previously.

. Q From late 1983 until approximately when?

. A For about a year. Don't hold me to those dates. It is from memory.

. Q How long has JOAN ~~[illegible]~~ Corbin worked for the company?

. A I think she came on board December of 1985.

. Q And has she worked continuously for the company since then?

. A Yes, sir.

. Q During the period September of 1983 until the present, has the company had any other employees?

. MR. GREEN: The answer is yes. I want to tell you.

. THE WITNESS: Let's talk.

. [Whereupon, the witness confers with his attorney.]

. THE WITNESS: The only other employees we have had have been secretarial. When Shirley Napier left us we hired another lady, her name was Patty, P-a-t-t-y, Dooling, D-o-o-l-i-n-g; and a few temporaries. I don't remember any of the names. In fact, Joan Corbin was a temporary--and we liked her and we hired her--when people were sick.

. But those are the only other employees we have had.

. BY MR. NIELDS:

. Q So that prior to December 1985 the company had just one secretarial or administrative assistant type employee?

. A That is correct.

. Q Since that time, you have had two?

. A Correct.

. Q During the period 19, September 1983 until the present, has the company had any other officers, that is in addition to you and Mr. Hakim?

. A No.

. Q Where are the company's offices?

. A 8615 Westwood Center Drive, Suite 202, Vienna, Virginia, 22180.

. Q How long has the company had its offices there?

. A Since October 1985.

. Q Where were its offices prior to October 1985?

. A Still in Vienna, Virginia, but at 440 Maple Avenue.

. . Q And for how long a period of time were its offices there?

. A From the time I went with them until October of

1985.

Q Does it have any or maintain any other office or office space anywhere else?

THE WITNESS: Just a second.

[Whereupon, the witness confers with his attorney.]

MR. GREEN: Just so the record is clear. When we confer like that and I come back and I don't obviously state any objection for the record, or invoke any privilege, it should be understood that he is free to answer the question and will answer to the fullest extent of his knowledge.

MR. NIELDS: Fine. I appreciate that.

THE WITNESS: As you probably noted on our letterhead, we show two other office locations, one in Geneva, Switzerland, and one in California. These are office locations merely cited for the convenience of clients or potential clients for meetings, they are not offices in the formal sense in that we have no employees at either location.

BY MR. NIELDS:

Q I take it though that these offices do refer to some space in those two places.

A No.

Q Well, you indicated that they are for the purpose of meetings.

A Yes.

. Q I take it the meetings take place in offices in those places.

. A Sure, but we have just borrowed space when we go there.

. Q From whom do you borrow the space in California?

. A Stanford Technology Corporation.

. Q From whom do you borrow the space in Geneva?

. A From the firm noted on the letterhead, CSF. I think it is spelled out on the letterhead.

. Q Companie de Service Fiduciare.

. A Your French is better than mine.

. Q How much--how large are your office spaces in Vienna, Virginia?

. A I don't remember, 1600 square feet.

. Q How many rooms?

. A Let's see, there are five office spaces and one conference room, and a reception area.

. Q Are they occupied by anyone other than you, Mr. Hakim, Mr. Dutton, Joan Corbin and Shirley Napier?

. A No.

. Q I take it that Joan Corbin and Shirley Napier generally spend their business day in those offices?

. A Yes.

. Q Does anyone else?

. A No.

Q I take it that means that you do not?

A Oh, I am sorry, I do, yes, of course.

Q Does Mr. Dutton?

A Yes.

Q Does Mr. Hakim?

A Mr. Hakim does not live in the Washington area and he is there only infrequently.

Q Are there any other companies that share office space with your company in Vienna, Virginia?

A No, not now.

Q I take it there was a time when some other company or companies did share office space with your company?

A Yes.

Q When?

A From roughly October 1983 until about the end of 1985, early 1986, I don't remember exactly.

A U.S. international company named Marwais, M-a-r-w-a-i-s, Corporation. I shared space with those, and they were a client, also. It is a steel company.

Q And were there any other companies that shared office space with your company?

A No.

Q Did you have an interest in Marwais?

A No--well, I mean--

Q Only as a client?

. A A client.

. Q But you had no direct financial interest?

. A No.

. Q In Marwais?

. A No.

. Q I would like to ask you some questions about the company's financial records. Where does the company maintain its bank account or bank accounts?

. A In first--

. MR. GREEN: You provided that.

. THE WITNESS: I provided that I think. It is the First American Bank, the account number I provided you, I believe.

. MR. GREEN: It was a cover letter to the document production delivered--

. MR. NIELDS: I take it it is [redacted].

. THE WITNESS: If that is what you are reading, that is it. I don't remember obviously.

. BY MR. NIELDS:

. Q I am showing you a document.

. A Yes, I signed it.

. Q Which has your signature?

. A Yes. But I don't remember the account number.

. Q Understood.

. Does the company maintain any other bank accounts?

A No.

Q Has it at any time maintained any other bank accounts?

MR. GREEN: Just a second.

THE WITNESS: Sure.

[Whereupon, the witness confers with his attorney.]

MR. GREEN: The question was if you can rephrase it?

THE WITNESS: The question was about other bank accounts, I remember it.

My recollection is that when we started in 1983 we had a bank account in the United Bank of Virginia, but not for long because we didn't like the service. And we changed to First American Bank. Other than that we have no other bank accounts.

BY MR. NIELDS:

Q Where was the bank account at the United Bank of Virginia?

A The Vienna Branch.

Q Does the company have any, maintain any foreign bank accounts?

Q Has it at any time to your knowledge maintained any foreign bank accounts?

A To my knowledge, no.

Q I take it this is a checking account that it now maintains?

A That is correct. It is a commercial checking account.

Q Has it at any time maintained any savings accounts?

A It did periodically when we had a little bit of money in there, we would put it in another company-owned account so it would draw interest.

Q Where?

A Same bank. We don't now.

Q Has the company from time to time borrowed from bank accounts in this country or elsewhere?

A From time to time the company has borrowed from Mr. Hakim, and from CSF. No others.

Q Does the company have any subsidiaries?

A No.

Q Does it own stock in any other company?

A No.

Q Has it at any time owned stock in any other company?

A No.

Q And has it at any time had any subsidiaries?

A No.

Q Does the company have any affiliated companies and by that I mean companies that are under common ownership.

MR. GREEN: Just a moment.

. [Whereupon, the witness confers with his attorney.]

. MR. GREEN: To the extent that the question posed asks Mr. Secord to in effect reveal the identities of other companies which he may have an ownership interest in because he has testified to the particulars concerning an entity that we have now indicated is mentioned in the subpoena, I will instruct him to invoke his rights under the 5th Amendment.

. BY MR. NIELDS:

. Q I take it you are going to follow your lawyer's advice?

. A I respectfully have to invoke my 5th Amendment rights.

. Q I take it if I were to ask you with respect to a list of other companies whether you own a substantial or controlling share in those companies, you would decline to answer on 5th Amendment grounds as to each company?

. MR. GREEN: Yes.

. THE WITNESS: Yes.

. BY MR. NIELDS:

. Q You testified earlier about a new law in 1983 which applies to a trading group. What is a trading group?

. MR. GREEN: Are you asking for his understanding of what a trading group is?

. MR. NIELDS: Yes, sure.

THE WITNESS: The law was passed specifically to enable American businesses to form trading groups similar to those one finds in Europe and in Japan. Typically these trading groups would involve a close or loose association of a number of companies and entities, including usually some sort of banking entity and trading groups are famous for doing countertrade deals, barter arrangements in international financing and things of this nature.

BY MR. KIELDS:

Q Again what was your understanding of the change in the law that took place in 1983?

A One, it enabled you to have direct contractual relationships with banks that were not permissible before and I don't know any more than that about it. But also it gives certain tax breaks for groups which are able to export American products.

Q And does the company have a relationship with a bank such as the one that you have just made reference to?

A With a financial institution, yes, CSF.

Q Any others?

A No.

Q What is your relationship with CSF, the company's relationship with CSF?

A From the beginning of my involvement with the company, CSF has been the international financial institution which we looked to to do business with and through. In addition, in addition, as I showed you earlier, I think, we had arrangements with them for a line of credit.

. Q And who are the individuals at CSF with whom your company does business?

. A With Mr. Willard Zucker, Z-u-c-k-e-r.

. Q Any others?

. A Directly no. I mean he has employees there, they are all Swiss citizens, and we dealt with him.

. Q Is there a Mr. Farina?

. A Yes.

. Q Is he a CSF?

. A He is an employee of CSF.

. Q Do you from time to time do business with him, transact business with him or through him?

. A Mr. Hakim handled the transactions with him. I have talked with him before.

. Q So I take it you are saying you are not certain of precisely which individuals other than Mr. Zucker, that the company has done business with in CSF?

. A Insofar as I know the only real formal business has been done with Mr. Zucker. As in any other institution you talk to other employees and get information from them and so on.

. Q What is the business of Stanford Technology Trading

Group International, Inc.?

. A Stanford Technology was chartered to do business internationally and domestically in the security area, security in the broadest sense, security systems like air-field perimeter sensors, fences, electronic intrusion, TVs and all this technology. And our former client, Marwais Corporation, was in our definition of security a part of this kind of approach because they are the leading American firm in the design and erection of ballistically hardened shelters for aircraft or command control facilities for parliaments, anything that you wish to protect from terrorist or other hostile attack.

. Q Does the company engage in any other kinds of business?

. A I would have to invoke my 5th Amendment privilege on the advice of counsel.

. Q Does the company have any assets? Does it own anything?

. A Other than office equipment, it owns the office equipment. Some of it is owned. Some of it is rented.

. Q Other than office equipment, does the company have any assets?

. MR. GREEN: What do you include in your definition of ''assets''?

. MR. NIELDS: Anything that would appear under the asset column in a financial statement.

MR. GREEN: Let me talk with you.

[Whereupon, the witness confers with his attorney.]

THE WITNESS: On advice of counsel I will have to invoke my 5th Amendment privilege in response to that question.

BY MR. NIELDS:

Q Does the company own its office space?

A No.

Q Does it rent the office space?

A It leases.

Q Does the company own any airplanes?

A No.

Q I would like to take the year 1986 for the moment for the purpose of this next question. What were the company's revenues in 1986? You may answer that with an approximation.

A I don't know.

Q Do you know whether they were over $100,000?

A I would have to look at--I would have to consult with the accountants.

Q Do you know whether they were over $1 million?

A No.

Q No you don't know or no they were not over a million.

A No they were not.

Q Do you know if they were over ~~[illegible]~~ $100,000?

MR. GREEN: I would caution you not to guess or speculate. If you don't know I would tell him that you don't know.

THE WITNESS: I really don't know. I think that it is a matter for the accountants to look at.

BY MR. NIELDS:

Q Does the company have any consulting arrangements with other persons or entities?

[Whereupon, the witness confers with his attorney.]

THE WITNESS: Paid consultants? We had one. I gave you the documents on Mr. Lilac, Robert Lilac. That was not 1986 though. I don't know if you--

BY MR. NIELDS:

Q That was earlier?

A Yes. In 1986, no.

Q Let's broaden that question to cover the time period during which you have been associated with the company.

A I can only recall two consultant agreements, one was with Lilac, and another was with a foreigner, Mohammed Molik, M-o-l-i-k, a Sudanese, a consulting agreement related to a competition which we were in in Abu Dhabi for an aircraft shelter program in 1984 and 1985.

. Q Other than those two has the company had any consulting arrangements with any other persons or entities during the time you have been affiliated with them?

. A We do not have a formal agreement but from time to time we have had a security consultant, Glenn Robinette. I don't recall any others.

. Q I would include in my question not only written consulting arrangements but oral ones.

. A That is why I included Mr. Robinette.

. Q Okay, that is what I thought.

. Other than the one with Robinette, were there any other or have there been any other oral consulting arrangements?

. A I don't remember any, but oral discussions over a several-year period--

. MR. GREEN: I don't interpret the question as asking for people, you know, that is a difficult guise for a question to identify everyone you have ever talked to or consulted with.

. THE WITNESS: You are talking about paid consultants.

. MR. NIELDS: Let's talk about first paid consultants.

. THE WITNESS: I don't remember any others.

RPTS BOYUM

DCMN DANIELS

BY MR. HIELDS:

Q Did you have any--did the company have any unpaid consulting arrangements, and by consulting arrangements, I am not referring to anyone YOU have ever had a conversation with, but rather an ongoing business relationship in which you had an agreement that some person or entity would perform consulting services for the company?

A To the best of my knowledge, the answer to that question is no.

Q Has the company had any contractual relationships with other persons or entities other than relationships you have already testified about during the period 1973 to the present?

MR. GREEN: 1973?

MR. HIELDS: 1983; excuse me.

THE WITNESS: The company had a contractual relationship with another company, a California company, International Development Group, Incorporated, it is, IDG, in late 1983 and in 1984. I would be happy to provide that contract to you. I know I can't remember all the details about it, but basically it was aimed at marketing our clients' security systems and shelters in Saudi Arabia.

BY MR. HIELDS:

. Q Any others?

. MR. GREEN: The problem that is kind of inherent in the question is the contractual relationship. A contractual relationship is a term that is broad in scope and application and I think you ought to ask him whether he knows--

. MR. NIELDS: I will be asking him specific questions.

. MR. GREEN: --about written contracts. I hate to get him into a position where he is commenting on implied agreements out of facts. There is no question pending right now.

. BY MR. NIELDS:

. Q Let's limit it to written contracts for the present purposes.

. A Well, if I were testifying before the committee, I would have to take that one for the record because I would like to go look at the files, but offhand, I don't remember any other. That is not to say that there couldn't be--

. Q I understand. Right now I am asking you what you recall.

. A That is the best of my memory.

. Q My next question I want to include both written and oral contractual relationships. Has the company had, since September of 1983, any contractual relationships with any agency of the United States Government?

A On the advice of counsel, I am invoking my Fifth Amendment privilege.

Q I take it if I asked the same question about the individuals mentioned in paragraph 6 of the attachment to the subpoena, you would similarly assert your privilege?

MR. GREEN: Yes.

THE WITNESS: Could you restate the question?

BY MR. MIELDS:

Q Yes.

If I asked you about contractual relationships the company has had since September of 1983 with any of the individuals or entities mentioned in paragraph 6 of the attachment to Stanford Technology Deposition Exhibit 1, you would similarly assert your privilege?

MR. GREEN: Assert your privilege.

THE WITNESS: You are right. I will assert the privilege on that.

MR. GREEN: I think the record should reflect, Mr. Mields, that part of the advice to my client is predicated on trying to obviate a long, intricate discussion on the record as to what constitutes a contractual relationship. I am fearful that someone might come along and say, ''I think this is a contractual relationship where Mr. Secord may not think it to be a contractual relationship.''

I am just not going to get into that dispute and--

MR. NIELDS: But if I asked the question in another form, has the company done any work for any agency of the United States Government, he would similarly assert his privilege?

MR. GREEN: I think again that in order to preclude a long and intricate discussion as to the fine line between the company doing the work, if any, and Mr. Secord doing any work in his individual capacity, if any, the lines become so difficult to define in the course of an interrogation that he can only be protected by invoking his Fifth Amendment privilege.

MR. VAN CLEVE: Does that complete your statement?

MR. GREEN: Yes.

MR. VAN CLEVE: Let's go off the record so we can confer.

[Brief recess.]

BY MR. NIELDS:

Q Now, I think that the question--we just took a brief break--I think I had a question and I think your counsel was explaining the part of the reason why you would be asserting the Fifth Amendment privilege. I take it in any event you will be asserting the Fifth Amendment privilege to the question that I put?

A Yes, sir.

. Q Has the company since 1983 been involved in the transportation of supplies either, A, involving anti-government forces in Nicaragua or any other persons or entity in Nicaragua; or B, to anyone in El Salvador, Costa Rica, or Honduras?

. A I have to respectfully invoke the Fifth Amendment privilege.

. Q Has the company been involved in any way since 1983 in any transactions with or involving or engaged in at the request of or in conjunction or consultation with the United States Central Intelligence Agency or the National Security Council or any employee or consultant thereof?

. A I must respond the same way. I am invoking the Fifth Amendment privilege.

. Q Has the company since 1983 been involved in any way in any arms transactions directly or through third parties with Iran, Israel, Manucher Ghorbanifar, Jacob Nimrodi, Al Schwimmer, and Amiram Nir?

. A I must respectfully invoke the Fifth Amendment privilege.

. MR. NIELDS: I would like this marked Stanford Technology Deposition Exhibit No. 2.

. [The following document was marked as Stanford Technology Deposition Exhibit No. 2 for identification.]

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. MR. NIELDS: I would like to mark an inventory list, inventory of 20 items, and attached documents collectively as Stanford Technology Deposition Exhibit No. 3.

. [The following document was marked as Stanford Technology Deposition Exhibit No. 3 for identification.]

. BY MR. NIELDS:

. Q Mr. Secord, I am putting in front of you a document marked Stanford Technology Deposition Exhibit No. 2 which is a subpoena duces tecum addressed to Stanford Technology Trading Association, Inc., and I am putting before you a series of documents which have been marked Stanford Technology Exhibit No. 3 consisting of an inventory attached to documents.

. I guess my first question is, have you previously seen Stanford Technology Deposition Exhibit No. 2?

. A Yes, sir.

. Q My next question is going to be whether the documents which have been marked Stanford Technology Deposition Exhibit No. 3 are to your knowledge all documents in the possession of Stanford Technology Trading Group International, Inc., that are called for by the subpoena?

. A To the best of my knowledge, yes. I am continuing to look to make sure that this is an accurate response.

Q The committee would appreciate your doing so and would take the position that if you find any additional documents that the subpoena imposes on the company, continuing obligation, to supply additional records if they are located.

MR. GREEN: We understand.

BY MR. NIELDS:

Q Just to make sure the record is clear, there are no documents to your knowledge that are called for by the subpoena which has been marked Deposition Exhibit No. 2 which has been withheld on any Fifth Amendment privilege grounds; is that correct?

MR. GREEN: I would say that we have interpreted or construed your Exhibit No. 2 to be a document calling for the production of corporate documents and not private documents, or let us say that upon advising the witness of that distinction, that this calls for production of corporate documents; that is a subpoena addressed to a corporation, that all records--all corporate records responsive to the subpoena and over which Mr. Secord had, or let's say in whose control they were here, had been produced.

It is his desire to continue his inquiry into whether or not corporate-type documents may be in the possession of other parties and to make efforts to retrieve them, and if they can be retrieved, they will be delivered by him or at his direction to the committee in response to the subpoena.

I have advised him that there is no Fifth Amendment privilege for a corporation, and, therefore, there are no documents he has advised me that are being withheld on the basis of any corporate Fifth Amendment privilege.

THE WITNESS: That is a correct statement, yes.

BY MR. NIELDS:

Q Are there any bank statements or any other bank records relating to the company's bank account that are in the possession of the company or under your control?

A Sure; yes.

Q And are there any other records relating to the company's financial condition that are in the company's possession and subject to your control?

A Yes; the standard accounting kinds of records.

Q One of the documents which has been collectively marked Deposition Exhibit No. 3 is a communication from Willard I. Zucker, addressed ''gentlemen,'' and it makes reference in its second paragraph to STTGI, which I take it is the company.

I think the witness nodded.

A STTGI is the company, yes.

. Q It refers to its associated and predecessor companies. What does it mean by predecessor companies?

. MR. GREEN: Let me see the document first.

. [Document proffered to counsel.]

. [Witness conferring with counsel.]

. THE WITNESS: I don't have any direct knowledge of what Mr. Zucker had in mind by this phrase. If you would like me to speculate--

. BY MR. NIELDS:

. Q Rather than speculating, why don't I change the question and ask you whether there are any predecessor companies to STTGI?

. A In the strict definition of predecessor companies, I would say no, but it bears in part the name of Stanford Technology Corporation, which is a company held by Mr. Hakim, which had done business and has been doing business over a number of years, so that would be one that one could loosely call a predecessor company, although, in a formal sense, it is not.

. It is not a subsidiary of STTGI, nor the other way around.

. Q I take it you don't know of any companies that you would regard as, strictly speaking, predecessor companies to STTGI?

. A No.

. Q Putting in front of you another document, which is part of the batch collectively marked Deposition Exhibit No. 3, it is on the stationery of Republic National Bank of New York and it refers to a loan involving STTGI.

. What was the purpose of that loan?

. A This is part of the line of crédit from CSF. This was in the file, the CSF file, and I don't remember exactly what it refers to. It was just one of the notes in the file.

. Q You don't know what the loan was for?

. A I don't know what this note meant. It was simply in our file and I can't recall it. It is dated in July of 1985.

. Q It looks like it is January--

. A January of 1985.

. Q You don't know what that has reference to?

. A I don't know.

. Q Another one of the documents which has been marked collectively as Stanford Technology Deposition Exhibit No. 3 is a letter with an attachment. The letter is dated July 1, 1986, and signed by Shirley Napier. It also refers to a loan.

. What was the purpose of that loan?

. A This was, as indicated on the document, part of a continuing arrangement for a line of credit with CSF, for

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Stanford STTGI.

. Q I take it pursuant to that arrangement funds were drawn down in the amount of approximately $112,000?

. A I can't say with any certainty. I think you would have to look at the accounts to get a precise answer to that question.

. Q Well, if you recall, what was the purpose of drawing down money on this line of credit on or about July 1, 1986?

. A To finance STTGI overhead.

. Q Did it relate to any particular expenditure of STTGI?

. A No.

. Q And was that money physically transferred into an STTGI bank account?

. A I am sure it was.

. Q Is that the bank account that you have testified about?

. A The only one we have, yes.

. Q I am putting in front of you another document which has been marked--it is one of the documents collectively marked Stanford Technology Deposition Exhibit No. 3. It appears to be a telex, care of Mr. Zucker, for A. Hakim.

. What does that relate to?

. A This relates to a prospective business deal that

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STTGI was interested in in the State of Washington. Briefly, the deal would involve the procurement of the buying of some--

MR. GREEN: Don't divulge any proprietary or confidential business information.

BY MR. NIELDS:

Q Did it relate to lumber?

A Yes.

MR. NIELDS: Mr. Secord, at this point in time, I have no further questions at this deposition. I am hopeful that at some point in the future we may be able to get further information on other topics from you, but at this time, I have no more questions.

I think Mr. Van Cleve may have one or two.

MR. VAN CLEVE: Let's go off the record for just a moment.

[Discussion off the record.]

MR. VAN CLEVE: On the record.

By way of introduction, I am George Van Cleve, the Deputy Republican Counsel for the House Select Committee and I have no questions at this time.

[Whereupon, at 10:45 a.m., the deposition concluded.]

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Committee Hearings

of the

U.S. HOUSE OF REPRESENTATIVES

Partially Declassified/Released on 12-30-87
under provisions of E.O. 12356
by N. Menan, National Security Council

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DEPOSITION OF RICHARD V. SECORD

Wednesday, June 10, 1987

U.S. House of Representatives,
Select Committee to Investigate Covert
Arms Transactions with Iran,
Washington, D.C.

The Committee met, pursuant to call, at 5:55 p.m., in Room H-139, The Capitol, with John Nields presiding.

On behalf of the House Select Committee: John Nields, George Van Cleve, Joseph Saba, Robert W. Genzman, and Patrick Carome.

On behalf of the Senate Select Committee: Arthur Liman, Timothy Woodcock, Louis Zanardi, David Faulkner, and John Monsky.

On behalf of the Witness: Thomas C. Green, Esq., firm of Sharp, Green & Lankford, 1800 Massachusetts Avenue, N.W., #501, Washington, D.C. 20036.

Partially Declassified/Released on 12-30-87
under provisions of E.O. 12356
[illegible] Menan, National Security Council

Whereupon,

RICHARD V. SECORD

having been first duly sworn, was called as a witness herein, and was examined and testified as follows:

MR. GREEN: Let the record reflect this is Mr. Green, Secord's counsel.

MR. NIELDS: Wait a minute, before you continue, let's do the other thing on the record first.

MR. GREEN: Go ahead.

MR. NIELDS: It is appropriate to simply put some facts on the record, Mr. Secord, at the outset, and both committees think it's important and so does your lawyer.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. NIELDS:

Q I take it you are familiar with the testimony that Fawn Hall gave publicly early this week?

A Yes, I watched it.

Q Did you watch all of it on television?

A Not all of it, but most of it.

Q Did you watch the portion of it that related to your lawyer, Mr. Green?

A Yes.

Q And so you are aware of the testimony that she gave concerning conversations that she had with Mr. Green at a time when she had documents on her person outside of the Old

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Executive Office Building?

A I am aware of what she said, yes.

Q And you are aware of what she said concerning conversations involving Mr. Green in his automobile shortly thereafter?

A Yes.

Q Are you also aware of reports that have appeared in the press concerning your attorney's testimony before the grand jury?

A Yes.

Q I think that was simply that certain privileges had been asserted?

A That's correct.

Q Now, have you had a chance to discuss with your lawyer whether this affects in any way, shape or form your confidence in him as your -- your confidence in his ability to dispassionately advise you as ~~his~~ you lawyer?

A I've had a lot of discussions with Mr. Green on these subjects. You might even say ad nauseam, including today, before coming here. I have the fullest confidence in Mr. Green, his integrity, and his ability, and want to keep him as my lawyer.

EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

BY MR. LIMAN:

Q Mr. Secord, just to complete the record, you are

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aware, of course, that on this issue of representation, you can seek the advice of other counsel?

A Yes, and at one point I did.

Q And having sought the advice of other counsel, you have concluded that Mr. Green can provide you effective, unconflicted representation; am I correct?

A You are correct.

MR. LIMAN: Mr. Green, have you made Mr. Secord aware of conversations that I've had with your lawyer?

MR. GREEN: He is aware of every matter that would pertain to the decision which he has announced here this afternoon.

MR. LIMAN: And if he is not aware of the conversations that I've had with your lawyer, would you make him aware before we start testifying -- before he starts testifying?

MR. GREEN: I don't know how many conversations you had with my lawyer.

MR. LIMAN: One in substance and then one today or yesterday.

MR. GREEN: Well, let's just put it on the record. He knows that there was a time at which you contacted me and expressed an interest in having me come forth or be subpoenaed to provide testimony about I gather in the main my knowledge of, as you put it to me initially, a guy named Haskell.

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MR. LIMAN: No, I think I told you Homestead. I didn't know he was Haskell.

MR. GREEN: Homestead-Haskell, I get it confused.

And he is familiar with that conversation. He is also familiar with the fact that you had a subsequent conversation with my lawyer who tried to disabuse you of your preliminary conclusion that I was Mr. Haskell. And he understands that as a result of that conversation you did not move forward to have me testify.

MR. LIMAN: Is he aware that your lawyer told me that you had invoked the privileges described by Mr. Nields before the United States Attorney's Office, that that was his position in advising you that you should do so, and that as a result of my conversations with him, I withdrew a request for you to testify before us?

MR. GREEN: If he wasn't precisely aware then, you are now aware of that, correct?

THE WITNESS: Yes, but it was discussed with me.

MR. GREEN: And he is also aware of the course of proceedings with respect to the independent counsel. He is fully advised in all of that.

MR. LIMAN: Fine. John?

MR. NIELDS: Let's proceed with the deposition.

Mr. Green, do you want to put something on the record at the outset?

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MR. GREEN: Yes. This is a letter signed by Mr. Secord. The Consent Directive was signed last week but today in my office a cover letter was prepared and the Consent Directive was notarized as required by the form. So I delivered that to you, Mr. Nields. I actually made it out to Senator Inouye because it was a Senate request. Here's an extra copy.

MR. NIELDS: We will mark a copy of the document, both the letter and the attached document that Mr. Green's just made reference to, as Secord Deposition Exhibit 1. RVS-1.

(Exhibit No. RVS-1 was marked for identification.)

MR. GREEN: In addition, we would like, since we feel that much of the testimony on the Hill has been directed at an attempt to undercut or --

MR. NIELDS: Can we just stay with this document for a moment? Mr. Secord, I am putting in front of you RVS-1. Is that a cover letter signed by you with a Consent form attached?

THE WITNESS: Yes, sir.

MR. NIELDS: And does that have your -- both the first and second pages of the exhibit have your signature on it?

THE WITNESS: My signature.

MR. NIELDS: And I take it that the signature on the second page which gives consent for disclosure of certain foreign bank records was freely and voluntarily given by you?

THE WITNESS: Yes.

MR. LIMAN: Mr. Secord, in your cover letter you say that your inclination to sign it "stems from the public pressure which has been exerted on me to sign the directive."

THE WITNESS: Yeah, I think as a matter of principle these kinds of directives are probably unconstitutional, that I feel the pressure on me personally and I am no longer going to stand on principle.

MR. LIMAN: Well, it was principle that led you not to sign it, I take it, originally?

THE WITNESS: It was the advice of counsel.

MR. LIMAN: But you are signing this without any reservation whatsoever; am I correct?

THE WITNESS: I have reservations, as I've indicated in the cover letter, but I've signed it.

MR. LIMAN: Well, if you are asked by a Swiss authority whether this has been signed voluntarily, without any compulsion, and without any reservation on your part, are you able to say that the answer to that is yes?

(The witness [redacted] conferred with counsel.)

THE WITNESS: Okay, well, to be perfectly honest about it, candid, it is a mixed bag. I have been held up to ridicule for not having signed it, so I decided to sign it. And to be technical about it, it was done, obviously, of my own free will. No one's twisted my arm to do it. I simply describe to you in the cover letter the circumstances under which I signed it.

But if a Swiss authority asks me did I sign it willfully, I'll say yes, I signed it willfully.

MR. NIELDS: Willingly?

THE WITNESS: Better word "willingly," okay. Willingly.

MR. NIELDS: Mr. Secord --

Do you have anything else you want to put in the record now, Mr. Green?

MR. GREEN: Yeah, we do. We want to -- ordinarily in a deposition both sides are permitted to interrogate. I don't know if that's necessary here, but we have a number of points that we want to address in this deposition as adjoinders to what we feel are erroneous implications and information in the record, because we want to use this opportunity to try to set the record straight on as many matters as we can.

In connection with that we have prepared an arms sales, Arms Sales Profit Analysis of the various sales. Of course, Mr. Secord has a lot to say about these transactions and the way some of the records were used with a number of the witnesses; records which, of course, albeit alleged to be Mr.

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Secord's, we were never shown. We have done the analysis. It shows seven phases of arms shipments, the first being the Canadian shipment and the rest being done through General Secord's operations. The analysis does not break down by line item but we are able to do that if the analysis needs to be carried forward.

The first phase where the pricing was done essentially with a view to providing Mr. Calero with substantially better prices than he had ever received, but was done basically through the expertise of the Canadian dealer, Mr. Secord not being familiar with these operations.

I'll make an exhibit available to you gentlemen -- another one down there -- shows a markup on costs, on gross of 30.3 percent, and on costs of 43.5 percent.

In the following phases the markups on costs are 33.6, 23.45, 12.78; a small shipment in March of '86 which resulted in a 42.3 percent, but it's a very small shipment. Phase VI, 25 percent of cost; Phase II, 47.2 of cost.

MR. NIELDS: That's Phase VII.

MR. GREEN: Phase VII, thank you.

The grand totals show a markup of 27.3 percent. And then if you exclude the Canadian shipment and go to the last page and you take the transactions which were priced exclusively by General Secord, you have a markup of 24.5 percent on the cost as an aggregated statistic, which is

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consistent with Mr. Secord's testimony about the various markup. This includes the various costs associated with the shipments.

MR. NIELDS: Why don't we stay with this document for a minute. Let's have it marked RVS-2.

(Exhibit No. RVS-2 was marked
for identification.)

MR. NIELDS: Mr. Secord, I am putting in front of you a document marked RVS-2. Is that the document that your lawyer has just been describing?

THE WITNESS: Yes.

MR. NIELDS: Where does the information come from, where do the numbers come from that are on this document?

THE WITNESS: Comes from a combination of sources. It comes from discussions with the Canadian. It comes from my personal notes that refer back to these sales.

MR. NIELDS: Does it stem from any documentary sources that have not been provided to the committees up until this point of time?

THE WITNESS: No, just personal notes of mine. You know, an intimate knowledge of what each of the costs were and what the prices were.

MR. GREEN: Also, working off --

MR. NIELDS: Wait a minute, wait a minute.

MR. GREEN: Yeah.

MR. NIELDS: Have you provided to the committee all of the personal notes that you referred to just now?

THE WITNESS: No. I have some notes that I have not provided the committee.

MR. NIELDS: Would you do so?

THE WITNESS: Possibly, I don't know. I'd have to discuss it with counsel.

MR. NIELDS: Well, --

THE WITNESS: They are fragmentary. I'll tell you quite frankly, I'm tired of being torn apart by the use of my fragmentary notes, very tired of it.

MR. LIMAN: Could I make a statement, John, that --

MR. GREEN: Also had the benefit of the recollection of Mr. Clines on some of these matters as well.

THE WITNESS: Yeah, I should have mentioned that. That I had the benefit of the recollection of Mr. Clines on some of these matters as well.

MR. LIMAN: I request whatever information it is to be relied upon. John may be able to go into that today or we may cover this at a continuing session of this deposition. My understanding was that this afternoon we were going to be focusing on Mr. North. But the figures that we have here which are based on a variety of resources, some of which are available to us and some of which we have not seen before, or are in some respects inconsistent with the information that we received from Mr. Hakim, and, therefore, --

MR. GREEN: I don't think so. I don't think it is inconsistent.

MR. LIMAN: Well, the --

MR. GREEN: For instance, give me an example.

MR. NIELDS: Let's not get into a quarrel over it. The point is that --

MR. LIMAN: The point of information that he has --

THE WITNESS: May I make a recommendation?

Let your accountants analyze this data, see if where it's inconsistent, we'll sit down with you and explain it.

MR. GREEN: I don't think you're going to find it's far off from what you think it is.

MR. LIMAN: I would want to cover this in a continuing session of the examination.

MR. GREEN: The point of it as well as long as we're talking to each other is, you know, is it -- it really is in many respects making a mountain out of a molehill. I mean, the numbers are the numbers. The percentages are the percentages. Secord testified to his best recollection of what the markup is If the markup varies, you know, by two percent more or ten percent less, what the hell difference does it make?

MR. LIMAN: Mr. Green, I'm not here to conduct an investigation into what his markup is. He's the one that gave

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his testimony. He gave testimony as to what he believed the markup was. We then checked that against the records that were provided by Hakim on Airlift 1 and Sealift 1. Hakim said that one of them was in the handwriting of this witness and I think the other was provided --

MR. GREEN: He doesn't know what he's talking about.

MR. LIMAN: -- or by him. And the figures are very different.

THE WITNESS: Why don't you let me see it and I could probably explain it.

MR. LIMAN: I think we should let you see it.

THE WITNESS: Absolutely.

MR. LIMAN: But what I am suggesting is that you have given us this document now. We let all the accountants look at it and at a continuing session of this deposition we can go over it. But in the meantime, for it to be most helpful, we request the information, the notes and other information that you have from which you prepared this.

MR. GREEN: We will consider it. But we're always the givers and we're, you know, we're never the receivers. And the point -- I mean, we've given --

MR. LIMAN: I don't think this is just consider it --

MR. NIELDS: Let's not quarrel over it. We regard it as being covered by the subpoenas that we've already served,

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and that's the position that we take, and I think it, frankly, is in everyone's interest. If you relied on numbers that support this information to provide it, it will only help you.

But in any event, it seems appropriate for you to do it and we also take the position that the law requires it.

MR. GREEN: Well, here's what we've already turned over pursuant to the law for our third exhibit, which is a collection of documents which you have, which refer to the loan received from STT -- correction, from CSF to ~~SSTGI~~ STTGI, which Richard Secord testified to his averments under oath were that he always believed that the monies that he was receiving from ~~SSTGI~~ STTGI were loans. There apparently has been some conflicting ~~tetimony~~ testimony. But among the documents, for instance, is a note dated 1/7/85 from Zucker to Secord in Zucker's handwriting. "Richard: Loan STTGI requested from Compagnie de Services Fiduciares ST."

And assorted other documents which refer to these loan transactions, including signed loan agreements which you have. You have these documents. Of course, they're never around when we need them, but -- which I think demonstrate the good faith belief on the part of Richard Secord, including signed notes. We don't have them all because we can't get them all. But what we've got we've given you before and we give them to you again because they were made from my copies that were retained. And they're assorted documents about the loan

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transactions. I think they demonstrate that Richard Secord's belief and testimony was bona fide in every respect.

MR. LIMAN: Did you mark it?

MR. NIELDS: I haven't done it yet, I'm about to.

Let's mark this sheaf of documents that Mr. Green has just described RVS-3 and I'll put them in front of you, Mr. Secord. It's several documents marked collectively RVS-3. Are those the documents that your lawyer just referred to that relate to and support your notion and your testimony, and your belief, that the monies that went to STTGI from Switzerland were loans?

THE WITNESS: Right.

MR. LIMAN: Mr. Secord, it says in handwriting here this was accompanied by a $200,000 --

THE WITNESS: No, 20,000 I think it says.

MR. LIMAN: $20,000 check?

THE WITNESS: Right. And that's an accountant notation.

MR. LIMAN: That's not yours? Do you have a copy of that check?

THE WITNESS: Well, I think you do. It's in the STTGI files, which the IC took from us and gave you copies of, including all the cancelled checks.

MR. LIMAN: I'm told that we do not have a copy but we will --

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MR. GREEN: If you don't have it, we don't have it. We gave everything we have.

THE WITNESS: You have everything I have. And in fact, they haven't even returned to me the '85 records which they promised me they would -- the '85 records, detail backup stuff.

MR. LIMAN: Who is they?

THE WITNESS: The IC.

MR. NIELDS: Well, I take it you understand, Mr. Secord, that the testimony of Hakim was not that there had never been any loans from CSF. You testified that there had. But that the loans had been paid back, not by STTGI, but by the Enterprise.

THE WITNESS: Well, if Hakim paid back loans, it was without my knowledge. And I'm simply submitting these things to you for the record because it seems to me like nobody had referred to them before.

MR. NIELDS: Just so the record is clear, the reason nobody referred to them before is that Hakim confirmed to them. He testified that there was a line of credit and that there were loans from CSF to STTGI and that the Enterprise had paid CSF back, so that the net effect was that the Enterprise --

MR. GREEN: But --

MR. NIELDS: Let me finish. -- that the Enterprise had made an infusion of capital to STTGI except to the extent that it was reimbursement for expenses, in which case they had reimbursed STTGI for expenses.

MR. GREEN: To the extent that that carries an insinuation that Richard Secord was knowledgeable about that, the insinuation is false.

MR. LIMAN: Well, I want to just ask some other questions. I mean, these papers refer to a loan to STTGI. I had understood statements in the newspapers attributed to your client to refer to loans to Richard Secord.

THE WITNESS: That's a separate subject. We're going to address that as well.

MR. LIMAN: Okay. So that what these papers refer to are of loans from Swiss companies, CSF, to STTGI and not to the subject of the loans from Mr. Hakim to you.

THE WITNESS: That's correct.

We're finished.

NIELDS: Okay.

MR. LIMAN: Are there any papers reflecting the loans in which you describe as loans from either Hakim to you or STTGI to you?

THE WITNESS: There are financial records in that there are various checks over a long period of time which come to me and to STTGI from Albert Hakim.

MR. LIMAN: Do any of them indicate that they are loans on their face?

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THE WITNESS: Some do and some do not.

MR. LIMAN: Have you seen some that indicate loans on their face?

THE WITNESS: Yes.

MR. LIMAN: And do you remember which ones they were?

THE WITNESS: Right offhand, no, but they could be produced.

MR. LIMAN: Do you recall ever signing a note on any of them?

THE WITNESS: No.

MR. LIMAN: Do you recall paying any interest on any of them?

THE WITNESS: No.

MR. LIMAN: Do you recall returning a principal on any of them?

THE WITNESS: No, and the agreement, which I think I mentioned to you earlier in 1983 with Mr. Hakim was that until our company started making money that he would have to keep me financially afloat, and this he agreed to do readily. Mr. Hakim is not a man without means. He is a man of considerable means. He was to contribute financial strength to the partnership. I was to contribute managerial and marketing expertise. And that was our original agreement and we went according to that agreement.

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MR. LIMAN: And as I understand your testimony, that these payments that you've described as loans were being made in consideration of the fact that you were contributing your services to the enterprise and the enterprise wasn't profitable at that point?

THE WITNESS: That's right.

MR. LIMAN: And is there any record that you kept ~~that kept~~ of these loans?

THE WITNESS: I think we have it in our accounting.

MR. LIMAN: When you say our accounting, you're referring to accounting of Richard Secord?

THE WITNESS: Yes, Richard Secord.

MR. LIMAN: And I haven't seen any such record indicating the loans that you received, and I would ask that that be produced because I think that's also called for by the subpoenas that have been --

THE WITNESS: Well, I think you've got it but I'll ask my accountant to highlight it for you.

MR. LIMAN: Well, you can do that. That would be appreciated.

Lou, have we seen any ledger or record that shows loans to Mr. Secord?

MR. ZANARDI: We saw at least one ledger where there was a loan.

MR. LIMAN: A loan?

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MR. ZANARDI: A loan.

MR. LIMAN: Did we see one that covers all the other payments?

MR. ZANARDI: (inaudible)

MR. LIMAN: I would ask that they be produced --

MR. GREEN: Never, ever is it requested that, number one. And, number two, we will consider it.

MR. LIMAN: If the subpoenas don't cover it, we will issue one for that.

MR. GREEN: I mean, you've got -- you've got -- I guess maybe you haven't subpoenaed it. Somebody subpoenaed the accountant--the entirety of the accountant's product, and somebody's got --

MR. LIMAN: Mr. Green, Hakim testified --

MR. GREEN: Yeah.

MR. LIMAN: -- and he certainly is not a witness under our control -- that these payments were not loans.

MR. GREEN: Uh-huh.

MR. LIMAN: Mr. Secord said he considered them loans. And so if you have any records that support the testimony that was given, then --

THE WITNESS: We do.

MR. LIMAN: -- I would call for them. And if they haven't been covered by an appropriate subpoena, then we will issue the appropriate subpoena.

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MR. GREEN: All right.

MR. LIMAN: Are you ready? John, do you have some questions?

MR. NIELDS: I will ask one other financial question and then I am going to leave the financial subject for the day.

The Korel Assets account ledger -- and I'm referring now not to the capital account but to the CSF Investment Management account.

THE WITNESS: So-called ledger?

MR. NIELDS: No, it's not the so-called ledger. It's the --

MR. GREEN: Why don't you show us the --

MR. SABA: John, I brought a copy.

MR. NIELDS: Oh, you did. Okay, let's mark that then. Let's mark it RVS Exhibit No. 4.

(Exhibit No. RVS-4 was marked for identification.)

MR. NIELDS: Let's go off the record.

(Discussion off the record.)

MR. NIELDS: Back on the record.

Mr. Secord, I'm putting in front of you a piece of paper which has been marked RVS No. 4. It is a page from the Investment Management account records of CSF, or so it has been described to us, relating to the Korel Assets Investment Management account. And as we said when we were off the

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record, if you and your lawyer feel that you are unable to respond to my question about it at this time and could do so if you had further time to study and consult, we will give you that further time.

THE WITNESS: Okay.

MR. NIELDS: The question is: There is a deposit into the account of $522,000 and change on July 24th, 1985. We have been unable to track that money as having come out of the bank accounts which you and Mr. Hakim have described as Enterprise bank accounts.

And our question is: Where did that money come from?

THE WITNESS: I don't know.

MR. GREEN: Wait a minute, I know.

THE WITNESS: You do?

MR. GREEN: Yeah.

THE WITNESS: Excuse us.

(Witness conferred with his counsel.)

MR. NIELDS: Are we on the record now?

MR. GREEN: Yes, say it on the record.

MR. NIELDS: Yeah, I guess I have been advised by our accountants and my co-counsel, Mr. Liman, in your absence, that my statement that we couldn't account for it is not entirely accurate. We have tracked, apparently tracked, that money is coming out of the AUDIFI account.

MR. GREEN: What account? I never heard of that.

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Well, let us see that if we can. I mean, otherwise, we're just shooting in the dark and that's not right.

The information that we have is that it went into a Defex account in Switzerland, that it then went from there to the AUDIFI account, and from there --

MR. GREEN: AUDIFI account?

MR. NIELDS: Yeah. -- and from there to the ~~Coral~~ Koral Assets account.

THE WITNESS: I never heard of AUDIFI account before.

MR. GREEN: How do you spe~~a~~ll AUDIFI?

MR. NIELDS: A-U-D-I-F-I.

THE WITNESS: Is this 522 the sum of the 260 and 262? I guess it is, isn't it?

MR. GREEN: Did it travel through those accounts as $522,820?

THE WITNESS: Or in two increments as it showed here.

MR. NIELDS: One, I believe.

Let me rephrase the question, restate it. Do you wish to respond with an explanation of what that money is at this time or do you wish time and consultation?

THE WITNESS: I'd like to have further time and I'd also like to have the opportunity to discuss it with one of your accountants.

MR. LIMAN: Okay, let's move on.

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MR. NIELDS: Yeah, that's fine.

FURTHER EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. NIELDS:

Q Mr. Secord, did there -- are you aware of any money from the Enterprise which went to the benefit of Mr. North?

A No.

Q Was there ever any discussion that you are aware of of any money from the Enterprise going to Mr. North?

A In a sense, yes.

Q Would you describe it?

Tell us first who the discussion was with.

A Hakim discussed with me on a couple of occasions at the Tehran mission in May of '86 that near that he was concerned about Oliver North's family because he had heard Oliver North say that he couldn't send his kids to school, this was a dangerous mission. He was concerned that he wouldn't be covered or his family wouldn't be covered, more properly speaking.

Albert knew that starting in February -- as my handwritten notes that you have show -- that I had set up a requirement for a $200,000 insurance fund. This was to cover the air crews essentially that were about to begin operations in Central America.

Initially, I think Albert and I had a discussion about setting aside as much as $500,000. It's not really setting it aside, it's just simply fencing it and making sure that we didn't go below that level in expenditures, so that we'd always be able to pay at least a certain amount. I didn't feel that we could set aside 500 -- or fence $500,000 at that time. Although as I recall telling him, you know, who knows, we might have to pay $500,000 if we had a real tragedy, who knows.

And Albert mentioned the need for insurance coverage for Ollie North. I told him that we couldn't set up an insurance coverage for Ollie North but that he could obviously be covered in case of tragedy by our ~~[illegible]~~ already -- ~~pr~~ OR at least I assumed already fenced amount.

You'll notice in my handwritten notes I carry it forward month to month to month.

The only other time that I recall any discussions about possible financial assistance to Oliver North or his family took place last year -- and I can't tell you when because I simply don't remember. I didn't regard it as an important event.

At sometime last year -- I think it was in the spring of the year, but I can't tell you whether it was before the May mission or after -- Hakim said to me that I should say to North that there is an opportunity upcoming because Zucker was coming to the States for other business, to talk to Mr. Zucker, he was a good financial man. He could perhaps give them some assistance, look at their situation and make recommendations, and so on. I said that's a bad idea, though he insisted that I ask North, so I did.

North said no, but maybe his wife would talk to Mr. Zucker. I forgot about it. Time went by. Hakim was not here in town, he was elsewhere. He called me one day and said that Zucker was going to be in Philadelphia, recalled our earlier discussions; would I ask North if his wife Betsy still wanted t consult with him -- him, Zucker. I said all right. So I don't think I saw North. I think I called him on the telephone and asked him. He said, well, okay, where, when? Hakim had given me the information -- somewhere in Phiadelphia, I don't remember where. And I promptly forgot about the matter. Sometime later, some days later, some weeks later, I don't recall, North told m it was a big waste of time and a train ticket. He said his wif was more confused than she had been before the event.

I didn't hear anything more about it again thereafter.

Q Is that it?

A Yes, sir.

Q You testified, as I understand it, that Hakim suggested that Zucker give some kind of financial counseling to the Norths.

A I testified that?

Q Just now.

Did I understand your testimony correctly?

A I don't think I said that. If I did, I misspoke. Bu what I said was that Hakim indicated to me that Zucker was very very bright in these areas, that he might be of help to them in looking at their particular situation -- it was awful, they couldn't even put their children through college. And, oh, by the way, I can add to my earlier testimony. I remember distinctly saying to Albert -- I've said to Albert more than once, you can't deal with these people like Iranians, you know, these are American officials. You can get us in trouble by trying to give gifts to North, for instance. He said, oh, he knew that, he knew he couldn't give any gifts, he knew that.

So that's all there is to say about it.

Q What was -- what I don't understand is what was the gift that Hakim --

A There was never any gift --

Q -- was describing?

A There was never any gift specifically mentioned to me -- that I cut him off before he could even talk about a gift because I was thinking what good would it do for someone who had a bad financial situation to talk to a counsellor. I mean, he didn't have any money to invest. You have to have money to -- I think I said at the time, you can't make chicken soup out of chicken feathers, or some such description. And he said, no, no, Zucker is good at this sort of thing. You should talk to Ollie about it. He did not, as far as I know, talk to

Ollie about it himself. He asked me to mention it to Ollie. And North said, well, you know, okay.

The feedback I got from North was as I just stated.

Q Was it your understanding that when this issue was first raised with you about Mr. Hakim that he wanted Mr. Zucker to give financial counseling to the Norths or that he wanted to give them a gift?

A It was unclear to me, and I wanted to put some clarity to it, which was to say that, you know, you can't give gifts to these U.S. officials.

Q So you said that to him at that time?

A I've said it to him more than once. And my recollection is I said to him at that time is, well, but you know, it was a long time ago, my memory is a bit fuzzy on that. I didn't consider it to be an important event.

Q So when you told him -- you testified a minute ago that you told him it was a bad idea. You were, I take it, referring to the possibility that he was talking about a gift.

A Indeed.

Q So that you understood his proposal at that time to contemplate a gift?

A No, I didn't say that. I didn't say that at all.

Q You understood that that might be in his mind?

A Possibly.

Q Why?

A This is the Iranian culture. And although Albert's an American citizen, he's basically brought up in the Iranian culture and he probably didn't see anything wrong with that kind of an approach and I wanted to make sure that he understood.

Q Now, what was his response when you told him it was a bad idea?

A Oh, he knew -- he knew that -- he said he knew you couldn't give gifts to these people, but he thought it would be a good idea for Zucker to talk to them, and I said all right.

Q What did you say to him when he said he thought it would be a good idea for Zucker to talk to them?

A Honestly, I don't recall exactly what I said, but I did ask North if he was interested in he or his wife talking to Zucker, and he finally arranged for his wife to go see Zucker.

Q Did Hakim tell you in words or substance that maybe Zucker could find a proper way to get some money to the Norths?

A I don't think he did say that. I think he said that he wanted Zucker to go over their finances with North, or in this case Betsy, as it turned out to be, and see what he could say or do. I didn't pay a lot of attention to it. I've told you all I know about it.

Q When you -- when he called you and told you that Zucker was going to Philadelphia, did he tell you that he had given Zucker the Norths' telephone number?

A No, I don't think he ever did. Or if he did I'm not aware of it.

Q Did he tell you that Zucker was somehow going to make contact with the Norths?

A You mean the home phone number?

Q Yes.

A I'm not even sure he had the home phone number at that time.

Q But my only question is what he told you. Did he tell you that Zucker was going to get in touch with the Norths?

A No.

Q But you talked to the Norths?

A I talked to Ollie North, not to Betsy.

Q Okay, Ollie North.

A Yes.

Q What did you tell Ollie North?

A Only that -- recalled our earlier conversation about meeting with Zucker and that I'd been advised by Albert that he was going to be in Philadelphia on a certain day. I think it was even the next day -- it was very soon. Wasn't much time, and so, you know, did he want to take advantage of this. As he indicated earlier, he did. I think he probably said, I'll check, and call me back, something like that. But in any event, whether it was one call or two phone calls, it was all done, as I recall, by phone. And I gave him -- I relayed to him the information that Albert had given me, which was an office

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building, and I don't recall, I'm sorry, but an office building a certain address in Philadelphia.

Q In Philadelphia itself?

A In Philadelphia. And the only specifics I remember the directions -- the only specific I remember is that it was very near the train station so she could take a train up there.

Q And did you give her, or him, a number to call?

A I gave him, I think an office address and an office telephone number. And it was, I believe, a business or a law firm, or an accounting firm, or something like that, where Zucker was doing other business.

Q Was it Zucker or Hakim that she was going to meet with?

A Zucker.

Q And how was the meeting to be arranged?

A I don't believe Hakim was anywhere near.

Q How was the meeting to be arranged? Were you arranging the meeting, or were you giving her a way of getting in touch with Mr. Zucker?

A That's right, I was giving her a way of getting in touch with Zucker. And he had -- I simply conveyed the information that was given to me.

Q Which is, Mr. Zucker will be at the following address and the following number and will be pleased to meet with you, and here's how to get in touch with him.

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A I think it was like he was going to be there all day, or here's the address and telephone number, and over to you.

Q All right, going back to your earlier conversation with North, what did you say to him about the purpose for getting together with Zucker?

A I think I said to him as accurately as I could what Albert had said to me, which was that Zucker was going to be in the United States. Hakim felt that Zucker could give them some guidance, some advice, could help them with their financial situation. And I recall him particularly talking about the requirement to put some -- put a child in college.

Q And you mentioned putting a child in college to North during this first telephone conversation?

A I believe so, but I'm not positive. I have a vague memory of that subject being intertwined in there somehow.

Q Did you -- what else did you say to him?

A Well, that's about it. I asked him if he would -- I was relaying Albert's request. And at some point, maybe then or later, I don't recall, he said, no, he wouldn't be able to dc that but his wife Betsy would be interested in doing it at some point.

Q Did he ask you anything about the nature of the help that Mr. Zucker might give?

A No, he didn't. He didn't at all.

Q Did you comment on it?

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A If I did I don't remember what I said. I may have commented on it.

Q Did you say to him, for example, Ollie, I don't know what the point of this would be, you can't make chicken soup out of --

A I don't know if I said --

MR. LIMAN: Chicken feathers.

THE WITNESS: Chicken feathers, yeah. I may have said that. I just don't know, Mr. Nields, I don't know. I could -- it would be characteristic of me to say something like that but I think you are going to have to --

BY MR. NIELDS:

Q Well, did he have any money to invest that you were aware of?

A I think he was poor as a church mouse.

Q Was there anything that you were aware of that Mr. Zucker could possibly do for him?

A Not me, but I'm not a wizard, and Albert thought Zucker was a wizard. At least that's what he told me.

Q Well, you were in about as good a position to judge his wizardry as Albert, weren't you?

A Not by this -- not at this time; later I was. But I was very doubtful of their ability to do anything for the Norths. And as I understand it, they didn't. But, you know, based on what North told me.

Q You understood this from a conversation with North?

A Yeah.

Q When?

A As I stated earlier, sometime after the trip took place. I wouldn't have known the trip took place except he told me sometime later when we were meeting that it was a -- the trip was -- the trip to Philadelphia had been a waste of time and a train ticket and his wife was more confused now than she normally was.

Q What was the source of the confusion?

A Apparently her discussion with Zucker.

Q What was she confused about?

A I don't have any idea, and I don't --

Q Well, what did North say about her confusion?

A That's all he said about it, and dismissed it. I think he probably felt the same way I did.

Q How long after the trip to Philadelphia was your conversation with North?

A As I indicated -- I don't know. I think it was a matter of some days later. It was not immediately after -- it was the next time I saw him.

Q A matter of three, five days,something like that?

A I don't know. I don't know. I really don't know. It wasn't a long time, but it was a matter of some time.

Q You've heard, I'm sure, the testimony of a Mr. Lewis.

A I did not, I'm sorry.

Q You did not?

A I was teaching a course when that went on and I didn't see the --

Q Have you heard about it?

A I've read about it.

Q So you're familiar with the substance of his testimony?

A I don't know if I'm familiar with the substance of it. I read that he testified -- he'd been asked to look into some sort of real estate deal.

Q Well, my question -- let me sharpen my question. Can you think of any reason consistent with what you've told us that Mr. Zucker would be looking for a conduit for transferring several thousand dollars to Mrs. North some weeks after the meeting in Philadelphia?

A Was I aware that he was looking for a conduit?

Q No, I'm asking -- I'm asking --

MR. GREEN: -- answer that, first of all.

MR. NIELDS: No, I'd like him to answer the question I asked.

MR. GREEN: Please restate it or have it read back.

BY MR. NIELDS:

Q Okay, the question I'm asking is, can you -- are you aware of any explanation consistent with what you have told us

North said about the meeting in Philadelphia, why Mr. Zucker would, some weeks after that meeting, be looking for a conduit to route tens of thousands of dollars in cash to Mrs. North?

A I have no idea, and I was surprised to read about Mr. Lewis' testimony. I never heard one word about what he had apparently testified to, ever.

Q Did you tell Mr. North in any of your conversations with him that Albert was looking for a way to help out financially with the child's education?

A Did I ever tell him that?

Q Yes.

A No, never.

Q Did you ever tell him that a client of Mr. Zucker's was looking for a way to help out with some --

A No.

Q -- financially with --

A Definitely no.

Q -- his child's education?

A No, never.

Q Did you ever tell North that Albert Hakim was looking for a way to help out the North family financially?

A Same answer, no.

Q Going back to the set-aside --

MR. LIMAN: Are you finished with this particular subject?

MR. NIELDS: Yeah, you want to pick up on it? Sure, go ahead.

I'm not finished with the set-aside.

BY MR. NIELDS:

Q Going back to the set-aside, I think you indicated that Albert had mentioned a figure of $500,000. Did he mention a figure of 500 --

A I think I mentioned the figure of $500,000, and then later he mentioned it back to me, and we discovered -- or discussed it, and I decided that it was too much more than we can afford, but that we might have to spend as much as 500,000. That's my memory. It's very vague.

Q Did you mention the $500,000 figure in connection with North or his family?

A No.

Q Did Hakim?

A Not to my recollection.

Q At any time?

A I don't remember him ever mentioning it, no.

Q Did you discuss a figure of $200,000?

A I don't recall any such discussion with Hakim. I --

Q Let me change -- let me make my question clear.

Did you discuss a figure of $200,000 in connection wit any set-aside for anybody?

A Yes, as I've just testified.

Q Okay. Did you dis -- and that was in connection with death benefits for pilots?

A Yeah, and I first brought it up to him in early '86.

Q Now, did you ever discuss a figure of $200,000 in set-aside in connection with the North family?

A A separate, another increment of $200,000, no.

Q Or any increment of $200,000 in connection with the North family?

A I believe I said to him, look, it's a dangerous mission, I'm concerned about all the members of the delegation. We've got $200,000 in an insurance fund, you know, let's see what happens. I was more concerned about it than he was, as I think I testified earlier.

Q When you say all the members of the delegation, who does that include?

A McFarlane, Teicher, some other Americans, my air crews I was concerned about all of them but, you know, we couldn't set aside money to insure their families. We'd -- how much money would that be?

Q Well, there was $200,000 set aside immediately prior to that trip.

MR. GREEN: There's also some testimony of Mr. Hakim which I listened to and I don't know whether I understood correctly, but one of these other accounts -- and I've never seen the records --

MR. NIELDS: There's $200,000 set aside in a Hakim subaccount on the 18th of June. There was an additional and different $200,000 set aside in the Button account on May 20th.

THE WITNESS: I was not aware that that set-aside was entered into his system until recently.

BY MR. NIELDS:

Q But you did discuss either fencing or setting aside an amount of $200,000 in connection with the trip to Tehran?

A No, in connection with risk insurance -- and this was just a notional thing, that I started worrying about in February of '86.

Q Well, maybe I misunderstood --

A And you'll see it in my handwritten notes.

Q Maybe I misunderstood you, but I thought you said that you were worried about the entire mission.

A I was.

Q And that was referring to the mission that went to Tehran.

A Yes, sir; yes, sir, I was worried about it.

Q And did the set-aside have anything to do with your -- or the discussions about the set aside have anything to do with your worry?

A Yes, I told Albert that we've got $200,000 set aside, and let's see what happens.

Q And you told him that in connection with the Tehran trip?

A I told him that in connection with -- not only with Oliver North but the others as well.

Q I just need an answer to my question. Did you say that in reference to the trip to Tehran?

A In connection with the Tehran trip, yes.

Q And does that mean that the $200,000 was set aside for pilots, McFarlane, North and Teicher, among others?

A Not specifically, it was just a general comment that this is an insurance fund that we should have set up here, as I'd mentioned to him months before, and it seems to me this is the best we can do.

Q And did that include the members of the Tehran mission and specifically did it include North?

A Well, I had no specific thought like that. I mean, I didn't sit there and say, okay, Secord, we've got $200,000, we're going to stretch it over eight people or something. That's not the point. The point is that my rejoinder to Albert, as I remember, it was just as I said: We've got a $200,000 insurance fund, that's about the best we can do.

Q That was a rejoinder to a remark that he made to you? Just so we get it clearly on the record --

A Yes.

Q -- what was his remark to you that you made that rejoinder?

A That he was concerned about Oliver North's family -- this was a dangerous mission. I was equally concerned about it, as I had mentioned to North and his superior -- superiors.

Q Did you have any discussions with him about the interest on the $200,000?

A Interest? No.

Q Never discussed that with him?

A No. As far as I know, there isn't any.

Could I make another point? Mr. Nields, could I make another point?

Q Yes, you may.

A I did not know that he actually set up an account for this. In fact, I recall explaining to him the Pentagon term "fencing," which is simply to draw a line in your internal bookkeeping, or an envelope around a certain amount of money so that you don't go through it.

MR. LIMAN: So you don't spend it?

THE WITNESS: So you don't spend it. So you don't -- so you don't forget and spend it.

MR. LIMAN: As I understand, your testimony was that whatever you spent, there should be $200,000 there to take care of death benefits originally to pilots?

THE WITNESS: That is correct. If everything else disappeared, I've got to have at least that there.

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MR. LIMAN: You didn't see it as a segregated fund --

THE WITNESS: No.

MR. LIMAN: -- in the formal sense?

THE WITNESS: No, never.

MR. LIMAN: And, therefore, what you were saying in answer to the question about interest was that since it wasn't a segregated fund it wouldn't be earning interest?

THE WITNESS: It never occurred to me that there woul be such a thing.

MR. LIMAN: You were just looking at it as a flat sum of $200,000 to be available for death benefits?

THE WITNESS: Immediately available, you know, like in cash, so they could be paid. And in fact, I ordered payments out of this $200,000 in October of -- after the Hasenfus shootdown. I ordered payments of $120,000 immediately -- 60 to each of the families. And I was informed that those payments were being made and I was amazed to find that they had not been made

MR. NIELDS: Did you ever agree to a $200,000 set-aside or $200,000 monies to be fenced for the purpose of providing for North's family in the case of his death?

THE WITNESS: No, sir, never.

(Pause)

MR. NIELDS: Let's just get this on the record. I'm putting in front of you what was Exhibit 5 during your testimony in public.

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MR. GREEN: You know, I wrote you and asked you to send me those exhibits and you've never done that.

MR. LIMAN: Mr. Green --

MR. GREEN: Yes, sir.

MR. LIMAN: -- let me again say on the record that you will get copies of those exhibits tomorrow.

MR. GREEN: Okay.

MR. LIMAN: Would you make sure that he gets copies?

BY MR. NIELDS:

Q Mr. Secord, I'm putting in front of you Exhibit 5 at your public testimony, which is the notes to which you had reference recently, I take it. And why don't you leaf through them and point to each entry that refers to the fenced insurance money for pilots.

A Here's $200,000 to insurance fund. And this is --

Q Bottom of -- bottom of page 2.

A 2.

MR. LIMAN: Is there a date?

THE WITNESS: It follows the 3/17 date but it -- but it -- this is my planning, remember, it's not accounting data.

MR. NIELDS: He's pointing to the bottom part of the second page which has some numbers and a line through it which he testified at his public hearing was planning. It refers to $200,000 insurance fund and it is below a -- the last -- the date immediately above it is 3/17/86.

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THE WITNESS: Right, but I could have written it at any time during this period, because as I would think of things I would write them down.

Go on.

BY MR. NIELDS:

Q Okay, turning to the third page.

A Okay. I have one here that says, similarly annotated it says "anticipated disbursements" at the bottom of page 3. And here's a notation which says "April insurance fund, 200,000."

Q Okay, that's at the bottom of page 3 -- it's also in a planning section.

A Yes.

Q And it -- the dates immediately above it are early April.

A Correct.

Q Okay, turn to page 4.

A I have a similar notation at the bottom of page 4 which again says April insurance fund 200 -- I just rolled these forward because we're still in April here.

Q Okay, again you're referring to the bottom part of the page where the numbers are crossed out?

A Yes.

Q And that's on page 4 of the exhibit and it's another 200 insurance fund.

MR. LIMAN: What's the date, John?

MR. NIELDS: Well, the date --

THE WITNESS: It says April.

MR. NIELDS: -- immediately above is 4/25 and the date exactly opposite it is just April.

Okay?

Turning to page 5 of the exhibit, do you see any reference -- that has the month of May -- do you see any reference to the $200,000 set-aside there?

THE WITNESS: No, I may have forgotten at that --

It's just, you know, earlier on page 3 you'll see I say anticipated disbursements April, May and June.

MR. NIELDS: Okay, I just want to get the record clear. I'm not sure of the inference -- any inference can be drawn from this.

THE WITNESS: No, I know that.

MR. NIELDS: Page 5 of the exhibit, I take it contains no reference to the $200,000 for insurance?

THE WITNESS: I think that these on this page were supplemental to the previous page because they're different, you see.

MR. NIELDS: But in any event, there is no reference on that page?

THE WITNESS: No, no reference on that.

MR. NIELDS: Okay. And then the --

THE WITNESS: This page is not applicable.

MR. NIELDS: Page 6 just has a few entries on it and there -- and so does page 6, and page 7 is for an earlier time period.

THE WITNESS: An earlier time when it was not applicable.

MR. NIELDS: Now, just so that the record is clear, the CSF documents reflect a $200,000 set-aside in the Button account on May 20th, a $200,000 set-aside in a Hakim sub-account on June 18, and there was at most periods of time -- I think it's fair to say -- $200,000 in the corporate bank accounts.

And I take it from your testimony --

MR. GREEN: What do you mean by corporate bank accounts?

MR. NIELDS: I mean the enterprise bank accounts.

THE WITNESS: You mean at least that amount?

MR. NIELDS: At least that amount.

THE WITNESS: In cash.

MR. NIELDS: In cash.

And my question to you is, I take it you can't tell us whether the $200,000 insurance fund that you mark as being fenced on your handwritten records, you can't tell us whether that refers to the Button account, the Hakim sub-account, or just cash in bank?

THE WITNESS: I cannot.

MR. NIELDS: Go ahead.

EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

BY MR. LIMAN:

Q You referred, Mr. Secord, to the fact that North had expressed concern that he did not have the funds to educate a child, or his children; do you recall that?

A Yes, sir.

Q Do you ever recall him expressing that concern in front of Albert Hakim?

A Yes.

Q When do you recall him expressing that?

A Well, I'm sorry, I can't tell you. But it was probably after the Frankfurt meeting in February of '86 because I don't recall Albert really spending much time with -- to tell you -- to tell the truth, I can't remember him ever meeting with North before then. He may have, but I don't recall.

Q Well, Hakim testified, for what it's worth, that his first meeting with North was in February of 1986 at the Frankfurt meeting.

A Okay, good. Well, that's consistent with what I'm saying.

Q Now, do you recall him expressing -- North expressing, the concern about his children at the Frankfurt meeting?

A No, I think it was in some informal meeting after that.

Q Do you recall whether there was any meeting that Hakim attended with North between Frankfurt and the time that North left the United States for the Tehran mission?

A Yes, I believe that Hakim met with him once or twice in the EOB during that period.

Q In that period, do you recall the occasions for those meetings?

A No, I don't. My memory's vague on it, but I recall that their computer had a problem accepting Hakim's name for clearance.

Q Do you recall whether those meetings related to the second channel?

A No, I think they related to -- I think they related to the ongoing first channel.

Q Are you positive?

A No, I'm not positive.

Q I mean, are you positive that the meetings with Hakim in the Executive Office Building occurred before the --

A That's what I meant --

Q -- Tehran mission?

A -- I'm not positive of that. I am not, I'm sorry. It should be in the logs, though.

Q You would agree that Hakim was not an intimate of

Ollie North before the Tehran mission? That fair?

A That's fair, but I think he probably saw him in my home a time or two also during that period. He's not an intimate, though.

Q And Oliver North is basically a private man, you'd agree with that, wouldn't you?

A I don't know what you mean by that.

Q Well, is he a man who would walk around talking about the fact that he couldn't afford to educate his children?

A Well, he would tell me that.

Q But you were a friend of his by that --

A By that time I was, yes.

Q And you had a closer relationship than --

A True.

Q -- than Hakim.

What occasioned Colonel North to tell Hakim that he couldn't afford to send his --

A I don't know, I --

Q -- child to school?

A And I don't know if he told Hakim or if he told me and Hakim overheard it. I just don't know.

Q Well, had he told you that before he said so in the presence of Hakim?

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A I don't remember. Possibly, but I don't remember.

Q Now, you said with respect to the visit that Mr. Haki suggested that Zucker make to North to give some financial guidance that you understood that North really had no money to invest.

A That was my belief.

Q Yeah, and your perception was that in your words he was as poor as a church mouse.

A Yeah, I believe so, although I think one of his branches of the family had some money.

Q Did Hakim -- did Zucker -- withdraw that.

Hakim, as I understand your testimony, said that Zucker was a financial wizard. Am I correct?

A Yes, more than once.

Q Had Zucker ever made any money for you?

A No.

Q And is it fair to say that in this period that we are talking about and before it you arenot financially on easy street?

A Hardly.

Q Indeed, as I understand your circumstances, you would not consider yourself a wealthy man?

A You are correct.

Q And did -- and you are in fact borrowing money?

A That is correct.

Q Did Hakim ever suggest to you that Zucker could make money for you?

A Yes, he did.

Q Did you take him up on that?

A No, I'd met Zucker from time to time in Geneva. But I didn't consider that he'd help me.

Q Now, did Hakim ever suggest that one way of helping North would be to make a loan to him?

A No, he never did, not to my recollection.

Q When you --

A If he did, I would have vetoed it instantly.

Q As being improper?

A Yes, sir.

Q So that you understood a payment to North, whether it was a loan or a gift, would not have been appropriate?

A It would be very inappropriate.

Q Now, as I understand your testimony, the $200,000 pilots' death benefit fund was a fund that you thought could become available for death benefits for Teicher, McFarlane, and North if something happened to them on that trip?

A I don't know what the state of my mind was at that time but I think I just gave Albert an easy answer and said, look, we've got $200,000 set out there and that's it.

Q Did Hakim --

A Obviously, you couldn't set a -- you couldn't have a small $200,000 fund set aside to cover such a large delegation. That would be ludicrous.

Q Did Hakim understand that these people were being sent on a presidential mission?

A I'm sure he understood that.

Q And do you think --

A He didn't express any concern to me about anyone other than North, by the way.

Q Do you think that McFarlane, to take one person, would have considered it appropriate for Hakim to set up a fund for death benefits for him?

A I'm sure he would have considered it very inappropriate.

Q The same is true of Teicher and North, isn't that so?

A Yes.

Q And do I understand it, therefore, to be your testimony that North was never told that a death benefit was being contemplated by Hakim?

A Never told by me.

Q Never told by you?

A That's right.

Q And did Hakim ever tell you that he told that to North?

A No. Hakim was not with us on that mission either.

Q Let me really put something as a thought more than a question to draw your response because I discovered in watching Senate hearings and participating in them that people do do that and then they ask for a response. I was trained to ask questions but we have more flexibility.

And this is what I think Mr. Nields was getting at. North is a person who really gave no impression of caring about money for himself. Am I correct?

A I would agree with you.

Q His wife meets with Zucker and North tells you that it was a wasted train ticket. Correct?

A That she was more confused than ever.

Q First, if he saw it as a waste of a train ticket, that suggests to me that he expected something to come out of this trip.

A Well, you can speculate that. I don't know if he thought something would or wouldn't. I stopped looking for the pot at the end of the rainbow a while back myself. I already told you what my feeling was at the time.

Q But was this term which you have used several times, a wasted train ticket -- you used it in the newspaper and --

A Right.

Q -- here again today. Was that North's term?

A I believe it was, yes, that's my recollection.

Q Did you tell North what it was that Zucker wanted to discuss with his wife?

A No, and I didn't know.

Q Did North ask you what it was that Zucker wanted to discuss with his wife?

A No, he didn't, that I remember. I don't remember that he did. I merely conveyed to him Albert's request.

Q Did you see Zucker at any time after the end of September, 1986?

A End of September?

Q 1986.

I give you that date because the visit to Philadelphia as best we can place it occurred at the end of September.

A Really?

Q Yes.

A That shows how wrong you can be. I had the feeling it was in the spring.

Q Maybe there were two but we can place one, I think, --

A I am only aware of one.

Q -- in September.

A I'd have to think about that for a minute. Could I have a minute to think about that? Events were moving at a great --

MR. GREEN: What were you thinking about?

THE WITNESS: September of '86.

BY MR. LIMAN:

Q Well, let me just ask you it this way: Did you speak to Zucker, either in person or on the telephone, after you knew that he had met with Mrs. North?

A I don't think so.

Q Well, you have a recollection of placing it -- of this meeting occurring in the spring of '86.

A That's what I thought, but I told you that I wasn't sure about it.

Q But you certainly spoke to Zucker after the spring of '86?

A Indeed, yes.

Q So that --

A But you're saying now it was September of '86.

Q But how in your own mind in terms of the way you recall the sequence of events, you did speak with Zucker after -

A Correct.

Q -- that meeting.

A That's correct.

Q Now, did you ever ask Zucker what happened at the meeting with Mrs. North?

A No.

Q Can you explain, given North's rather strict views about not taking money improperly, why Zucker may have been trying to pass North money as late as October of 1986?

A I can't explain it at all.

Q And what's bothering --

A He never discussed it with me. Never talked to me about it even once.

Q What's bothering me, Mr. Secord, is that whatever happened at that meeting in Philadelphia, Zucker wasn't turned off.

MR. GREEN: Maybe Zucker --

BY MR. LIMAN:

Q And Hakim wasn't turned off.

A Reportedly, I guess, I don't know that.

Is this based on some other evidence?

Q Well, it's based on Lewis.

A Well, as I told you, I didn't see his testimony, but--

Q Well, if you took that as a hypothetical, I mean, none of us was there.

A But what was the time frame he was talking about?

Q End of October, as I recall it.

Mid-October?

MR. NIELDS: Sure.

MR. LIMAN: Mid-October.

MR. NIELDS: 10th.

MR. LIMAN: 10th of ~~Octpber~~ October, I'm sorry. 10th of October.

THE WITNESS: That's surprising to me because we were in real trouble at that point.

I mean, the airplane was shot down, I think, on the 4th of October.

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BY MR. LIMAN:

Q Did -- I think the question has been asked, but did Hakim ever give anything of value to North?

A Never, to my knowledge.

Q To Mrs. North?

A I don't think he ever met her, and, or indirectly either.

MR. NIELDS: That apparently didn't answer the question.

THE WITNESS: No. The answer to the question is no.

BY MR. LIMAN:

Q Did you ever give anything of value to North?

A No.

Q Or to Mrs. North?

A No.

Can I correct my testimony?

MR. NIELDS: Yes.

MR. LIMAN: Of course.

THE WITNESS: He was given some airplane tickets, so that's a thing of value, but I just thought of this.

MR. LIMAN: By whom?

THE WITNESS: I think always by Albert but perhaps by me a couple of times. He was -- had to get back to the White House and we procured some tickets so he could get back to the White House expeditiously.

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MR. LIMAN: This was when he was on Iranian business?

THE WITNESS: Yes, right.

MR. LIMAN: And when you gave him the tickets, was it because he didn't have vouchers there?

THE WITNESS: That's right. And he had to rush back for one reason or another.

MR. LIMAN: And he ~~as~~ was on government business?

THE WITNESS: Yes, right, but it was a thing of value I just wanted to make sure you didn't come back later and say I didn't tell you.

MR. LIMAN: Aside from that, did you give anything of value?

THE WITNESS: No, never.

MR. NIELDS: That last question was anything of value to North.

THE WITNESS: Right. Never.

BY MR. LIMAN:

Q Did Hakim ever tell you that he had made a provision in one of his wills covering the money of the enterprise for North?

A My recollection is that he told me that he had made a will which left control of all these accounts to me in the event of his death. And I believe he -- I've never seen the will but he told me he had a copy of it at his home and also with Zucker. And I think he also said that in case both of us were killed, he ha

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made some sort of provision for North to be in control.

Q In your interviews with Mr. Nields and with us, you told us about the first provision which was for you.

A Right.

Q Am I correct that you never mentioned the contingency provision for North?

A You're correct, but only recently have I had my memory refreshed on that. I think I heard Hakim say it or somebody has told me that and I believe he did tell me that.

Q So that the reason you didn't tell it to us before was because you didn't remember it; is that what you're saying?

A I didn't remember it and I've never seen the will either.

Q And it was not because you were trying to --

A Shield Ollie? No.

Q -- to shield Mr. North?

A No. I don't think it was inappropriate either in this case, so I would have told you if I had remembered it.

Q You considered it appropriate to have a provision in his will giving North control over this money?

A In case he and I were both killed, somebody had to have some power to take care of whatever was out there. Who else could it be but North?

Q It could have been the United States Treasury.

A Well, maybe he would have turned it over to the

United States Treasury, I don't know. It was a private enterprise as we saw it and it had to keep going. This was a vital mission.

Q Well, then I don't understand your notions of propriety. You told me that it is not proper -- or would not have been proper to make a gift or the loan to North but it would have been proper to give him control over a private enterprise in the event of Hakim's and your deaths?

A So that he could assign it some other operator.

Q Well, but all of the profits of this enterprise had come from either sales to the contras, or sales to Iran, or donations; am I correct?

A Correct.

Q And are you saying now that you considered it appropriate to leave control over these funds to Colonel North?

A Well, I guess I did at the time. I didn't think much of it.

Q Did you ever discuss with Colonel North the fact that a provision had been made in the event both you and Hakim died?

A No.

Q And did you ever ask Hakim to see these wills?

A No, I never did. He told me where they were.

Q How many wills did he tell you there were?

A He told me that there was -- he told me, I believe there was one will which he had a copy of with Zucker and a

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copy in his home.

Q He didn't tell you that there were two wills?

A Two separate wills? No.

Q Two separate wills.

A No, he didn't.

Q Did he say anything to you about the fact that he expected you out of some of the funds to take care of the obligations that he had incurred to Iranians?

A No. And I don't know who these Iranians are by the way.

MR. NIELDS: Wait a minute. You say the answer to that is no?

MR. LIMAN: He said no and he said he doesn't know who the Iranians are.

THE WITNESS: The answer to that question is no.

MR. LIMAN: And so that if Hakim's testimony is to the opposite effect, he's mistaken?

THE WITNESS: I believe so, yes.

MR. NIELDS: Let's just make sure we're getting this right.

Are you saying that you were not aware of any plans or contemplated plan on the part of Mr. Hakim to pay money out of the enterprise to Iranians?

THE WITNESS: No, I didn't say that.

MR. LIMAN: No, he didn't say that. He said, I --

MR. GREEN: He said under the will. He said

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under the will.

MR. LIMAN: -- were directed to pay --

THE WITNESS: To give me instructions, and he did not.

MR. LIMAN: -- to paying it out of funds which under the wills, Mr. Secord would have control over if Hakim died.

THE WITNESS: Yeah, and I understand your question, but that was not the question I was responding to.

MR. LIMAN: And you understood that he had incurred obligations to Iranians, I take it?

THE WITNESS: He told me that he was incurring some obligations. I pressed him on several occasions to quantify, describe to me. He never did quantify or describe these things to me so I don't know how substantial they are. I heard his testimony.

MR. LIMAN: And he never told you who the Iranians were he had incurred the obligations to? That's what you said a moment ago.

THE WITNESS: He never told me specifically who was to get what for what, never. I know some names that I think he was dealing with.

MR. LIMAN: But you don't know whether he promised those people money, as I understand it?

THE WITNESS: Specifically, no.

MR. LIMAN: When you say specifically, did he ever tell you, I have promised to pay these people money?

THE WITNESS: He told me that he promised to pay some people some money, and one named Chenghiz in particular, he said he was obligated to. And I believe he was obligated to an associate of Chenghiz's who was an Iranian, living in London, but I couldn't tell you in what way exactly.

MR. LIMAN: Did he give you any idea of what the amounts were?

THE WITNESS: No, he did not.

MR. LIMAN: So that if something happened to Hakim, as I understand your testimony, you would not know how much you had to pay to these gentlemen?

THE WITNESS: There would have been a big problem, because they would probably have been knocking on my door and I wouldn't have known what to do.

He may have left some instructions sealed with Zucker. I don't know.

MR. LIMAN: Did you ever hear of the Button account?

THE WITNESS: No, and I've seen it variously referred to as Belly Button and Button here recently, and I -- I never saw that account.

MR. LIMAN: And you never heard of Belly Button, that name?

THE WITNESS: I don't recall him using that name with me ever.

MR. LIMAN: And you don't recall [redacted] any jokes about Belly Button for a set-aside of money?

THE WITNESS: No, definitely not.

MR. NIELDS: Do you have any recollection at all of what Button or Belly Button referred to?

THE WITNESS: Well, I do now.

MR. NIELDS: Only recollection. I'm talking about recollection. I don't want you to read --

THE WITNESS: No, definitely not.

MR. LIMAN: And the only reason you have now is because you are referring to what Hakim has testified to?

THE WITNESS: Yes, right.

And you realize, Hakim and I have not compared notes for a long time, so I haven't had an opportunity to talk to him -- even today.

MR. LIMAN: Are you still partners in STTGI?

THE WITNESS: Well, technically, we are, yes. I haven't talked to Albert in a long time. I don't know what we're supposed to be doing, or why.

The lawyers won't let us talk.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. VAN CLEVE:

Q I want to be -- to have the record be as clear as it can be on the questions that we've been talking about, and I'd like to start out with this question of your discussion with

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Hakim about his desire to have Zucker get in touch with the Norths and help them in some way.

Is the subject matter clear to you?

A Yes.

Q Okay.

As I understood your testimony, you said that when Hakim first brought this up you made the point to him that he could not make a gift to United States officials; is that correct?

A I've mentioned that to Albert more than once.

Q But that wasn't my question. My question was --

A The answer is yes.

Q -- when he brought the subject up you made the point to him?

A The answer is yes.

Q Okay.

And you said, I think, that you thought at the time that he might be considering making a gift; is that correct?

A The thought crossed my mind. I didn't know that.

Q Okay.

But you made the point to him that you --

A Yes, sir.

Q -- thought that that would be improper.

Now, he then asked you at a later point to talk to North and to tell him that he should get in touch with Zucker

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because Zucker would be able to help him in some manner. Is that correct?

A According to Albert.

Q According to Albert?

A Yes.

Q Okay.

Did you give North any reason to believe that Zucker might be acting in a manner designed to give financial help that ~~is~~ would in some way constitute a gift to him?

A No, and if I had, I would have seen that as a compromising position, and I wouldn't have condoned it.

Q All right. So it's your testimony that what you represented to North was that Zucker would provide financial advice essentially?

A Yes, sir.

Q And nothing else?

A As far as I know.

Q Did North ever ask you, or Hakim, to give any part of the proceeds of what you've referred to as the enterprise, to him or to his family?

A Hakim or his family?

Q No.

Did North ever ask you --

A North? No.

Q Or Hakim?

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A No, sir.

Q To give any part of the proceeds of the enterprise to him or his family?

A No.

Q Did he ever ask you for any sort of gift?

A Never.

Q Or Hakim, to your knowledge?

A Never, not to my knowledge.

Q Now, you told us that North did bring up the subject of his concern about his ability to pay for the education of his children; is that correct?

A He's mentioned that to me a number of times.

Q And did he also mention it to Hakim?

A I believe he did in my presence.

Q Okay.

And can you tell us, so that the record is clear on this point, in what context those types of remarks were made?

A Well, they were very, very informal, and just chatting about the situation and I can't -- I can't reconstruct for you the context in which it came up. It was very, very informal.

Q Part of a personal discussion --

A Yes, unofficial business.

Q -- where you're talking about your respective families and that sort of thing?

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A Yes, right.

Q Did he ever give you in that kind of discussion any reason to believe that he was seeking financial assistance?

A No, no. He talked to me about -- we both talked about our family situations before.

Q Can you tell us, to your best knowledge, when you first learned from Mr. Hakim that he had executed a will that named you as a beneficiary?

A I can give you an impression but I can't give you a precise answer. My impression is that it was after the beginning of the Iranian initiative because there were large sums of money involved, but I'm not sure of that.

Q When you say after the beginning of the Iranian initiative, how do you take that?

A After February of '86. Immediately after is what I'm saying.

Q You think that you first learned that he had done this sometime immediately after February of 1986?

A Well, I have that feeling but I'm not sure of that. It could have been later, but I'm not sure.

Q Mr. Secord, do you regard it as unusual to be named as the beneficiary of a will that may contain millions of dollars worth of assets?

Have you ever been named in a will like that before?

A No.

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Q Just speaking for myself personally, I think it's the sort of thing I would be sort of struck by and tend to remember. Wouldn't you agree?

A Well, maybe you would and maybe you wouldn't. I was completely wrapped up in the operation at the time and it seemed to me to be a reasonable managerial step on his part, and I didn't think a lot about it.

Q You have told us that you've never seen a text of these wills.

Do you have any idea how much money is involved in the wills?

A I believed it was all the money in Hakim's control, whatever that amounted to.

Q If I told you that it was millions of dollars, would that sound right to you?

A I didn't know it was quantified, but my belief was ~~that~~ that it was whatever money was in the enterprise.

Q Had you and Mr. Hakim ever discussed the desirability of his taking this step before he told you that it had happened?

A That's a good question. I don't remember. I can't remember but I wouldn't be surprised if we discussed it in advance.

Q Are you aware that the wills contain a provision that makes them revocable only on certain conditions?

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A No, and you used the plural "wills." As I told you, I --

Q I understand. Well, whether it's one document or two, are you aware that the documents contain a provision that makes them revocable only on certain conditions?

A No, sir, not at all.

Q And that one of those conditions is the consent of the other persons named as beneficiaries. Were you ever told that the wills contain that condition?

A Negative. Absolutely not.

Q And it's your testimony that you never told Oliver North that he had been named in such an instrument?

A That's my testimony.

Q And that to your knowledge, Mr. Hakim never told Oliver North that he had been named?

A As far as I know he did not.

MR. VAN CLEVE: That's all.

MR. LIMAN: We have another subject that Mr. Nields is going to cover very briefly.

THE WITNESS: We are picking up subjects as we go.

MR. LIMAN: No, we're not, these are very brief ones.

MR. NIELDS: Actually, I just want to just ask you on just a tiny bit more on this line.

BY MR. NIELDS:

Q You said that North, as a general matter, basically

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didn't pay much attention to money. You said something like that. I don't want to put words in your mouth but money was not --

A I think that's a fair statement.

Q Okay.

How about his wife? Did he ever tell you what her attitude was towards his attitude towards money?

A I think he --

(Pause)

THE WITNESS: Are we still on the same question?

MR. LIMAN: Yes.

THE WITNESS: I don't recall him specifically talking about her attitude toward his attitude toward money, but I do recall him discussing her attitude toward his continued line of work and the deleterious effect it was having on the --

MR. NIELDS: On the family?

THE WITNESS: -- family.

BY MR. NIELDS:

Q So that what you heard him say in effect was that he was working these incredible hours in the government service and neglecting his family and that she had --

A Yeah, and I think he one time told me that -- I think a relative on his wife's side had helped them financially. But that's about all the discussion I recall with respect to personal finances.

Q Just on this subject, when he indicated that there were some family complaints over his line of work, did they cover not only hours but also the fact that he was working on a government salary and could have been making more, and his friends, and relatives, and cousins, and so on, were out there in private industry making a lot more for their families?

A No, I think -- it was probably in that context but I can't remember it specifically.

EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

BY MR. LIMAN:

Q Do you recall how many years Colonel North had before he could reach his 20-year retirement term?

A As of the last time I saw him?

Q This would be 1986.

A Yeah. I think maybe two years.

Q The prof notes that Colonel North wrote reflect a great deal of admiration and respect for you. You are aware of that?

A The -- well, the ones I saw in the Tower report --

Q Yes.

A -- yeah. Some of them weren't too complimentary, but some of them were.

Q Well, some of them weren't too complimentary to other people but they were, as I recall, complimentary to you.

A Good ole Secord didn't strike me as a compliment.

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MR. NIELDS: A man of many talents, ole Secord, is the quote.

THE WITNESS: Yeah, right, but that's kind of a --

BY MR. LIMAN:

Q But my point is, did he ever -- did North ever talk to you about the possibility of joining you after he retired?

A Not in a serious vein. A couple of times he said, look, if I get fired I may have to come over and go in business with you guys. But his retirement was a long way off.

Q Did you ever talk to him about coming with you when he hit the 20-year period?

A No, and I wouldn't because I was very uncertain as to where we were headed.

Q Did North ever express to you any view that he thought he was at a dead end in the Marine Corps?

A No, but I expressed that view to him.

Q And so North was at a point where in a brief period he was probably going to have to make a career decision?

A I recall discussing with him -- I don't know why the subject arose -- but I recall discussing with him his status. I had told him early on that, you know, if he stayed where he was he wasn't, in my judgment, going to get promoted to full colonel unless the President promoted him personally. And that it seemed to me he ought to take civilian status, that's what I told him.

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Q Did you ever say to North --

A Because I think he was eligible for a disability retirement if he really let the doctors get their hands on him, from what I had heard.

Q Did you ever say to North in substance, there'll be a place for you in our business if you retire?

A Not that I recall.

Q Did Hakim ever make that suggestion to you?

A In my presence?

Q No, to you.

A Oh, no, never.

Q Hakim never discussed with you the possibility of employing North?

A I don't think so. That's an alien thought to me.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. NIELDS:

Q But I take it your understanding of the reason his name was in the will was that he was there -- he was not in the will so that he could share personally in the money but, rather, because he was a government official and this was a government operation?

A In case there was a double -- in case there was a double tragedy, somebody would have to do something about this.

Q I just want to make sure my question is heard and answered.

It was in his government capacity that he was named, not in his personal?

A That's the way I see it.

EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

BY MR. LIMAN:

Q Did North tell you about the relative of his wife helping the family before or after the Zucker visit?

A I think long before.

Q And when you said earlier you had ordered --

A Do we know when the Zucker visit was now? You say it was in Septmeber of '86?

Q Well, that's the best information we have.

A Oh, no, it would have been long before that.

Q When you said that you ordered death benefits to be paid to the estates of the two Americans on a Hasenfus plane, to whom did you give those directions?

A I gave detail -- it took perhaps 10 days or two weeks to get the detailed information. And as I recall it, the detailed information was that there were two daughters of Mr. Cooper and a wife of the copilot. And once I got their locations and all this, I gave that information in detail to Mr. Hakim and asked him to get Mr. Zucker on it immediately, to get whether, you know, however they wanted to do it -- send a check to a bank, to have, you know, somebody notify them, or whatever -- the most expeditious way to get these monies to

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them.

And I was told a short time later that it was in process, and this was still in October, I believe.

Q Did you ever send any telexes directly to Zucker?

A Ever?

Q Yes.

A Uh, yes.

Q And did you ever telex any instructions to him to make payments to anyone?

A Well, I could have, but I can't think of an occasion when I did. It's possible but I don't remember it offhand.

Q Was the --

A If I didn't consider it to be a sensitive thing I wouldn't have had any hesitation doing it.

Q And if it was a sensitive thing you would have communicated how?

A Orally, through Hakim or a rare occasion, with Zucker himself.

Q And is the reason that you would not have used the telex directly to Zucker because that's not a secure mode of communication?

A Yes, sir.

MR. LIMAN: Thank you.

John?

MR. NIELDS: Brunei?

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THE WITNESS: Yes, sir.

MR. NIELDS: I take it you were told at some point in time that money had been solicited and was expected?

THE WITNESS: Yeah, and my memory is at variance with what I understand to be the record again -- I'm sorry.

MR. LIMAN: Hakim.

MR. NIELDS: Hakim?

THE WITNESS: : Yeah, as far as I --

MR. NIELDS: I take it you heard about it from North?

THE WITNESS: I heard about it only from North.

MR. NIELDS: Okay. And he -- did he mention the name of the country?

THE WITNESS: Initially he did not.

MR. NIELDS: It eventually slipped out?

THE WITNESS: Eventually I squeezed it out of him, to be honest with you, because he kept pressing me for the money. It seemed like every day he was asking me -- maybe every two or three days.

MR. NIELDS: What time period are we talking about?

THE WITNESS: That's where I'm a little bit at variance with what the record shows, and I'm sorry for that. But I'll tell you what my recollection is.

My recollection is that sometime in the summer of '86 that he told me to expect $3 million from an unknown -- unknown -- unnamed source. And that he asked me about it

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effective some date, you know, next week, or something like that. And then sometime later he raised that number to $10 million.

Now, my recollection of it is that it was all the same -- and we were talking about the same donor -- that maybe, you know, maybe not.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. NIELDS:

Q Best recollection: When did he tell you it was going to be 10 $ million?

A I think in August.

Q Best recollection: When did he tell you it was going to be $3 million?

A I think maybe June. But I'm just guessing, okay?

Q Okay.

A This is my recollection.

Q Now, when he told you it was 3, did he tell you it was on its way, or just --

A He said it would be on its way soon.

Q Did he ever tell you it was on its way prior to the time he raised the figure to 10?

A No, no, he did not.

Q After he raised it --

A He didn't give me any details. Normally he would say, you should have it now, or something like that.

Q But I take it at sometime after he told you the figure of $10 million, he told you it was on its way, you should be expecting it?

A He said it was going to be on its way, then he started querying me after awhile as to had the money ever come in. Did it hit? Did it hit?

Q Best recollection: When did he start saying did it hit?

A August or September.

Q Did -- what did he tell you you were to do with the money, if anything?

A Well, first he didn't tell me anything, it was just another input, which I notified Hakim of.

MR. LIMAN: increment of donation --

THE WITNESS: Yeah, just like the -- remember I told you about the [redacted] input except it was 10 times bigger. And I mentioned -- in both cases I mentioned -- I believe I told Hakim, both with the $3 million increment and then finally the $10 million increment, the money did not ever arrive, as we all now know. But he started pressing me, and after awhile he told me Elliott Abrams -- I think I told you this earlier -- was pressing him as to whether it was there. And then at some point along the way, because I kept assuring him we had everybody looking for this, and you can't lose $10 million, you know. Not if it comes to the right place. I mean, not a reputable bank like Credit Suisse. And so I finally, I said, look, you've got to give me some information with which to trace it. If you're not capable of tracing it from your side, I'll ask Zucker and Credit Suisse to, and, Albert, and we'll try to run it down. Who did it come from? And he said, well, Elliott had been this, this, this, and he also along the way, probably about the same time he told me it was Brunei, he said, look, this is just a parking place. You've got to -- you know, you can't spend this money. You've got to give this money in effect over to the State Department. But that was much later.

MR. NIELDS: Like when?

MR. LIMAN: When?

THE WITNESS: Double when.

MR: LIMAN: It could have been three, he just restrained himself. I did it for both of us.

THE WITNESS: I --

MR. NIELDS: Are you talking before or after October?

THE WITNESS: I think in October.

BY MR. NIELDS:

Q Oh, well before Meese's announcement?

A Oh, yeah, long before that. I don't recall we ever discussed it after the Meese announcement. All my discussions

Q Well, Hakim testified to an understanding that there would be 3 million for arms, 7 million would -- something else would happen to it.

A I saw that but I think Albert was confused on this point because of the two traunches we were talking about. But I never had any detailed discussions with Hakim --

Q Were you ever told --

A I was surprised, by the way, that we were expected to turn this money over to the State Department, because this was a --

Q Was that a change in what you were told, or just a clarification?

A No, it was a change. I mean, in the past he told me to expect to get $1 million.

Q No, I mean was it a change with respect to that $10 million, or was it a clarification with respect to the $10 million?

Do you understand my question?

A I think so.

As far as I was concerned, it was a change.

Q Originally when you were told the $10 million was coming, it's on its way, it's on its way, has it hit? has it hit? --

A Right, and it's for the enterprise.

Q -- it was your understanding it was for the enterprise?

A Right, which --

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Q Were you told that or was that just a --

A Which -- contra money. Pardon me?

Q Right. Were you told that or was that simply your understanding?

A That was my understanding, that it was consistent with previous understandings.

Q Now, when it was a change, do you mean to say that the $10 million -- you were told by North that the $10 million was not going to be for the contras?

A No, he didn't say that. He said that this was Elliott Abrams' money. And I can recall a conversation with him after it was Brunei -- I said, Elliott Abrams, I thought he had Latin America, you know, Brunei is, the last I checked, is in a different region. Well, that's another matter, he said. So, you know -- but to me it was a change. It was a big change.

EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

BY MR. LIMAN:

Q Mr. Secord, do you recall testifying that if the $10 million had arrived, then there would not have been a diversion to the --

A Because my --

Q -- contras?

A Yes, I do recall testifying to that. And this arose out of my belief that it was coming into the enterprise and was going to be used in the enterprise. And, you know, later,

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after we'd -- there's been so much furor over all this, I recalled more discussions with Ollie about this matter. It was a change.

Q So that at the time that you testified that because money was fungible there would not have been a diversion if this money had arrived -- you had not recalled the instructions from North to turn it over to the State Department?

A That's correct. I'm sorry that my memory's imperfect. But, incidentally, when I said that, I recognize there was an academic point as well because the so-called diversion was earlier in the time frame.

Q Yeah, because the money hadn't arrived from Brunei anyway.

A Correct.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. NIELDS:

Q I'd like to go briefly to [redacted]

A Okay.

Q And I guess my first question is, prior to the time you went to [redacted] I think we've established that or you've testified that it was the 19th of November that you left.

A That's affirmative now.

Q All right, why don't you -- well, let's put that on the record. In what manner have you confirmed it?

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A I found that from my travel agency -- then I'll be glad to provide that to you.

MR. LIMAN: When did you go --

THE WITNESS: 19th of November.

MR. LIMAN: 19th?

THE WITNESS: Right.

MR. NIELDS: Arriving on the 20th?

~~THE WITNESS: Arriving on the 20th?~~

THE WITNESS: Arriving on the 20th.

BY MR. NIELDS:

Q North's calendar, I believe, -- it may be the White House logs -- reflect that you met with him on November the 8th, '85.

A Could be we met.

Q And that was an hour before he met with -- or I guess it's two hours after he met with David Kimche and an hour before he and McFarlane met with David Kimche.

Does that refresh your memory in any way? Do you recall discussing with Mr. North his meeting with Mr. Kimche?

A No, not at all. He didn't tell me anything about that until much later.

Q Are you certain of that?

A I am virtually certain.

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MR. LIMAN: The Iran initiative is something that --

THE WITNESS: I'll tell you why I'm certain.

MR. LIMAN: -- could have been starting. That's why I want to ask you. The Iran initiative --

THE WITNESS: Yeah, I would remember it.

MR. LIMAN: -- could have been starting.

THE WITNESS: Especially --

MR. LIMAN: When is the first time that you recall being told that there was going to be a shipment of arms sanctioned by the United States to Iran?

THE WITNESS: I believe it was the 18th of November, the day before I departed. This is my wife's -- is it a birthday or anniversary? Anniversary. It was my anniversary.

MR. NIELDS: Our records seem to show you had a planned meeting that day and didn't actually have it.

THE WITNESS: I think we did.

MR. GREEN: What, the anniversary, or --

MR. NIELDS: Where?

THE WITNESS: It was in his office, I believe.

BY MR. NIELDS:

Q North's?

A Yeah.

Q And you feel certain that -- did he mention Kimche at that time?

A I believe he did not. I believe he mentioned Kimche to me later on the telephone. I believe he did --

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Q Later on the telephone means when you were in [redacted]

A When he asked me to go to Tel Aviv.

Q From [redacted]

A Yeah, because I can recall him asking me on the telephone, do you know David Kimche?

Q Did you go to the CIA -- out to the CIA -- and meet with anybody there prior to going [redacted]? And when I say go to the CIA, I mean in connection with the Iran initiative.

A I didn't go to the CIA in connection with the Iran initiative or any other matter.

Q You did not go to the CIA prior to going [redacted] in order to --

A No.

Q -- get -- let me finish the question so I get your answer properly.

You didn't go to the CIA prior to going [redacted] in order to make inquiries about airlines that might be available to transport something to the Near East?

A No, and I think I've mentioned to you before that that part of the Tower report is incorrect.

Q All right. Now, I want to get back to this million dollar deposit into the Lake Resources account on November the 20th, which is the day you arrived, and I --

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A And I thought it was several days later.

Q Yes, and you've testified that the issue of your helping with the actual physical transportation of missiles did not arise until sometime after you got to [redacted]

A That's right

Q Now, therefore, my question is, what was the reason that the million dollars was put into the Lake Resources account on the 20th of November?

A Well, I believe it was put in later than that. I can't -- I can't explain it any other way because I do not recall any discussion with Oliver North, and subsequent to our last discussion on this point, I've thought about it a lot, and I don't recall discussing with Ollie just before I left the subject of a million dollars, I really don't. It's, of course in the realm of possibility that we did talk about it but I'm afraid you're going to have to get that out of him. I just -- I have no recollection of any discussion on that point with him And my recollection is that the subject of my enterprise paying for what turned out to be the CIA proprietary airplanes didn't even arise for several days after I got there.

MR. LIMAN: And do I understand that the first time that you heard about the million dollars was when you discussed it with the Israelis?

THE WITNESS: No. When -- well, I don't know whether I discussed it with the Israelis first or North first we were talking on the phone constantly.

EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

BY MR. LIMAN:

Q And what was said on that subject?

A My recollection is that it was discussed at, you know, a new plan would have to be put into effect, which was to lift directly out of Israel. Schwimmer's plan to use chartered airplanes out of Europe had fallen through. I hadn't been able to help Schwimmer, although I'd made a few phone calls. And so it was determined that it would take approximately five 707 loads because Schwimmer at that time thought he could get a certain number of missiles on board. It later turned out to be a less number -- I think 18 was the max. And so it would cost about a million bucks to make that lift.

Q I want -- so we can understand something, John.

So your recollection is that the million dollars was to be used for the transportation of the Hawks to Iran. That's how that number was arrived at?

A Definitely, yes.

MR. NIELDS: I want to go over this in a little bit of detail. First of all, I take it when you got to [redacted] you made contact with representatives of Defex?

THE WITNESS: Immediately, yes.

MR. NIELDS: And that's [redacted]?

THE WITNESS: [redacted] was the guy in charge at that time because [redacted], the guy who was normally in charge, was off on a trip somewhere.

MR. NIELDS: Now, did you know [redacted]?

THE WITNESS: I had met him before. I didn't really know him well.

MR. NIELDS: Do you know why he would have been involved prior to your getting there?

MR. GREEN: Was he involved?

THE WITNESS: In this operation?

MR. NIELDS: Yes, several days.

THE WITNESS: I don't think he was.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. NIELDS:

Q I take it that your -- I think you've testified to this before -- your, I think you said, your assignment was to obtain landing rights.

A Right.

Q [redacted]

A Right. That's correct.

Q Do you have any understanding of how [redacted] could have been involved in that venture several days before you --

A I'd say it's virtually impossible. Or else he's the best actor I've ever seen, because --

Q Well, I guess my real question is, did North tell you that [redacted] had been involved?

A No, I don't think North knows the name [redacted]

Q Did he ask you to do anything from this country befor
you got there?

A No. Can you make phone calls and get them started
or something like that?

Q Yes.

A No.

MR. LIMAN: It was natural for you to have called
Clines in the relationship with --

THE WITNESS: Well, I got ahold -- I've already
testified that I got Clines to join me there.

MR. LIMAN: But when you spoke to Clines, did you
speak to him in the United States?

THE WITNESS: You know, I've tried to -- we've asked
we've gone down this one before, I don't know.

MR. LIMAN: You don't know that --

THE WITNESS: I don't know.

MR. LIMAN: And you don't know whether Clines picked
up the phone and called [redacted]?

THE WITNESS: Well, that's true. But several days
before? I don't think that would have computed.

MR. LIMAN: Because of when you first learned of
this?

THE WITNESS: Yeah.

MR. LIMAN: But at the moment you first learned of it, that's the time at which you could have told Clines --

THE WITNESS: You know, unless my memory is gone completel on this point and it, you know, came up several days before the 19th, and I didn't depart in the great hurry that I thought I departed in, I see no way that could have happened.

BY MR. NIELDS:

Q What was the original transportation plan? I take it the original plan was that the missiles were to be carried by a jumbo from Tel Avi [redacted]

A Right, and they actually did depart once.

Q Right. And then had to turn back at the go/no-go point?

A Right.

Q What was the plan for transporting them -- the original plan for transporting them [redacted] to Iran?

A By charter, DC-8 or a 707, under Schwimmer's control.

Q So Schwimmer was supposed to get the planes to fly [redacted]

A I was told he had them.

Q -- to Tehran?

A Exactly.

Q Now, what was the airlines that he had obtained originally to do this job?

A I can't tell you, I don't remember.

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Q Was it [redacted]

A No, no, [redacted] because when he failed, I -- that was the first thing that came to my mind was [redacted] And, in fact, we had the [redacted] -- one of the [redacted] managers over to the Defex for a discussion.

Q This was after his plan failed?

A Yeah, and there was, you know, it was well after I got there.

Q Was it West Coast Air?

A I don't know. I really don't remember.

Q You know -- do you know if it was a proprietary?

A A U.S. proprietary?

Q No, an Israeli -- I take it -- yeah, let me ask you that question.

Was it a U.S. proprietary?

A Not to my knowledge.

Q Was it an Israeli proprietary?

A I'm not aware of any Israeli proprietary, so I don't know. I know that it didn't work. He -- Schwimmer, by the way, actually gave me some names and asked me if I could, you know, he was getting frantic, if I could call them.

Q Now, there did come a time, I take it, when Schwimmer's planes were lost and the missiles were still in Israel and the jumbo was no longer available?

A Right.

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Q What -- and I take it you, in conjunction with North and others, identified [redacted]

A Well, I don't recall the exact sequence of events but at the end of the day, North called me and said -- gave me the telephone number and the name to call at [redacted]

Q What was the original arrangement with [redacted] In other words, what was the --

A The original arrangement, as I recall it, was descent, was to get two aircraft, I think it was, and I think he had one in Africa -- maybe he had two in Africa, I don't remember it. But he got one in there very rapidly. And he had airplanes with different registration numbers. One of them, I think, had an American registration number.

Q Just before you give me too much detail on this, was the original -- what was [redacted] supposed to do originally? Where were they supposed to take the missiles?

A Take them to Tel Aviv, pick up, on-load as many missiles as they could -- this turned out to be 18 in the end -- and proceed to Tehran.

Q Was there a time when they were supposed to pick up the missiles in Israel and bring them to [redacted]

A I don't remember that. I don't think so.

Q For $60,000 a flight?

In other words, was there a time when [redacted] wa designed to replace the jumbo rather than to replace the DC-8's

A Well, that's possible, but I don't remember it. It's possible.

Q I take it the -- what they eventually did was fly the missiles from Tel Aviv to Tehran?

A Via [redacted]

Q And that was for $127,000 a flight?

A That's -- I guess that's right, yeah.

Q How do you explain the discrepancy between the million and five times 127?

A Well, my estimation was -- and I think if it had been anybody other than [redacted] it would have been 200 or 250,000 minimum, per trip. I mean, you just don't go to Tehran every day with --

Q Well, let me just -- the problem for us is we have a million dollars coming in on the 20th and it isn't until several days after that [redacted] is asked -- is contacted. And the first contact appears to have been for $60,000 a throw to take the missiles from Tel Aviv to [redacted]

A That was my contact, or someone else?

MR. GREEN: Why don't you just tell him? I mean, so we can disclose this and, you know, because you guys keep --

BY MR. NIELDS:

Q Our information is that it was done in conjunction with you, that the initial contact was for flights from Tel

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Aviv [redacted] at $60,000 a trip.

A I don't remember it. It's possible, but we were looking at some very quick --

Q You understand the problem for us. The problem is, it doesn't match either in time or amount the million dollars and, therefore, leads to the inference that the million dollars was for some other purpose.

A I understand your problem. And I don't remember the $60,000 thing. That was probably a contingency that was being exercised at the time since the jumbo had to be turned back over to El Al.

Q And even when you go to the later amount --

A And I remember trying to work a deal with [redacted] to go. I do remember that. But I thought that this is all at the same time as the jumbo was still available. You know, it's all very mushy in my mind. It was a very frantic time, those days, and we didn't sleep.

Q Just to complete the thought -- I want to make sure I'm putting everything on the record and getting the best of your memory that I can. We have -- even when the -- it's planned to take the missiles directly from Tel Aviv to Tehran, which I -- [redacted] which I take it is the last plan and the one that was actually utilized --

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A Uh-huh.

Q -- developed several days after you arrived in

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[redacted] at a $127,000 a throw, you are still talking --

A They had that the man I talked to, [redacted] -- whatever his name was, [redacted] first name, I can't recall the last name --

Q That's [redacted]

A Yeah. -- told me that he didn't know how much it was going to cost, but not to worry about it, it wouldn't be excessive.

Q Neither the money nor the timing makes any sense in connection with that million dollars.

A Well, the money makes sense. I think the money makes sense, but the timing of the deposit doesn't make sense.

Q Five times 127,000 is 625,000.

A Oh, I didn't know how much the -- how much that bill was until after the fact.

Q By the way, who directed that that bill be paid?

A North put me in touch with the guy and he said that he would let me know as quickly as possible what the bill would be, and I agreed to pay him.

Q But I mean, who got the --

A North.

Q No. Who actually directed -- I take it was paid out of Lake Resources?

A I guess.

Q It was paid out of Lake Resources and you were not a

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signatory on the Lake Resources account. Who directed that the money be paid? Was it you or Hakim?

A Well, I directed, but I imagine I directed through Hakim, but it's possible that I talked directly to Zucker on this one and he talked to Hakim. I'm not sure.

Q Was the million dollars that went into the account on November the 20th a contribution?

A Was it intended to be a contribution?

Q Yes, at the time it was recieved?

A Not to my knowledge.

Q Did anyone ever tell you that that's what it represented?

A No, sir. No, I'd remember that.

EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

BY MR. LIMAN:

Q Mr. Secord, I want to just follow up on that.

You were told by North that Lake would receive contributions of a million dollars on separate occasions [redacted] [redacted] am I correct?

A I think that's right.

Q And did he ever tell you that you were receiving a million-dollar contribution for the contras from [redacted]

A No.

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Q So that at the time that you received the million dollar contri -- million dollars from [redacted], in your min

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that was not a contribution --

A Definitely not.

Q -- to the contras?

A Definitely not.

Q And you're firm in your recollection of that?

A I'm firm in that, yes.

MR. VAN CLEVE: Mr. Secord, you may have already been asked this question, but did you arrange to have the million dollars transferred to Lake Resources or did someone else do that?

THE WITNESS: I've been asked that before and I was ambiguous on the answer -- I don't know if I told Schwimmer the account number or if Ollie did. I can't remember.

MR. VAN CLEVE: The reason I'm sort of wondering is that if you were in transient, if the money was in fact transferred, is it possible that the reason that that happened was that it became clear to North while you were travelling that Schwimmer was going to not be able to solve his travel problems --

THE WITNESS: I really -- that doesn't stack up -- I've thought of that, but it doesn't stack up with my recollection because I --

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MR. VAN CLEVE: Nor with the summary facts, the --

THE WITNESS: -- because it didn't become clear to me until a few days later that Schwimmer wasn't capable.

MR. NIELDS: You have, I think, answered --

THE WITNESS: This is our one hour meeting.

MR. NIELDS: -- these questions in off-the-record interviews but I think it's important to get them, some of them on the record

Who -- I take it you were aware [redacted] what the cargo was?

THE WITNESS: Yes.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. NIELDS:

Q You knew you were dealing with Hawk missiles?

A Yes.

Q And North told you that?

A Yes.

Q Who did you communicate that to [redacted]

A To -- well, Clines [redacted] and indirectly to the DCM [redacted] -- although I didn't talk to the DCM.

Q Do you know his name, the DCM?

A I did at the time, I'm sorry, I don't know. I don't remember [redacted] name either.

MR. CAROME: [redacted]

MR. NIELDS: [redacted]

(Pause)

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BY MR. NIELDS:

Q The witness is pausing. I take it it doesn't ring an immediate bell.

A Not an immediate bell. I've never met the gentleman, I'm sorry.

[redacted]

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[redacted]

Q Do you know whether anyone in the CIA in this country was informed of the cargo?

A Directly?

Q First, directly.

A I have no direct knowledge because I didn't talk to anyone in the CIA here.

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Q All right. Do you have any indirect knowledge?

A North told me that Clarridge was informed.

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Q Did he tell you that Clarridge was informed --

A Of the nature of the cargo?

Q Yes.

A I believe that's correct, but I couldn't, you know, I couldn't swear to it, but I believe that's correct. But I'm certain that [redacted] reported it.

Q You're certain because that's normal procedure or because for some other reason?

A [redacted]

Q And did -- I think you mentioned that North told you that he discussed it with Clarridge?

A That's my recollection.

Q And when did North tell you that? Was this on the telephone or by communication [redacted]

A No, I think he told me later.

Q How much later?

A A month later or something like that.

No, I -- strike that. Strike that.

I think that that came up during our discussion in London. You know when we -- we had several discussions in

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London while waiting for McFarlane to come out. So that woul have been in fairly early December.

Q December 7th and 8th?

A Along in there, yeah. Because, see, we hadn't had a chance to have a face-to-face recap until that time.

Q Did you tell [redacted] what the cargo was?

A I either told him directly or he already knew. And I can't remember which, but there was no question.

Q I think you testified that the cargo was I-Hawks.

A That's correct.

Q Why do you say it was I-Hawks?

A They were I-Hawks.

Q How do you know that?

A Well, I know it from a discussion directly with Schwimmer -- do you mean did I actually see them with my own eyes?

Q Well, I take it the answer to that is no.

A No.

Q And so your knowledge -- your information on that comes from Schwimmer?

A And from the Minister of Defense.

Q In Israel?

A Yes, sir.

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Q Do you recall a time when Ghorbanifar was complaining because they were basic Hawks and he had wanted I-Hawks?

A I don't recall that specifically, although he may have brought it up. But they were I-Hawks.

Q Well, do you have anything other than the word of these two Israelis that they were I-Hawks?

A More than two Israelis. I have the word from Schwimmer, from General Marone, and from Amos the Commander of the Israeli Air Force.

Q Do you have any other basis for saying that they were I-Hawks?

A No.

MR. LIMAN: Did you ever see them?

THE WITNESS: No. I answered that I did not see them.

To tell you the truth, I don't think the Israelis have any basic Hawks.

EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

BY MR. LIMAN:

Q Is there an issue of terminology here in terms of what an I-Hawk is, and is an improved Hawk above an I-Hawk?

A There was this issue in Schwimmer's and Yaakov Nimrodi's and Michael Ledeen's mind, I believe.

Q Explain that.

A They believed that "I" meant something that it doesn't mean.

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Q They thought it meant improved?

A In the case of the I-TOW, for instance, it has quite different parameters, operational parameters, from the basic TOW.

MR. NIELDS: Take an I-Hawk, it means Improved Hawk.

THE WITNESS: It means Improved Hawk, improved over the basic Hawk, but it does not improve much on the operational parameters. What is improved is the nature of the acquisition process, the data processing, maintainability, sustainability.

MR. LIMAN: Is there another Hawk --

THE WITNESS: They are always low altitude, okay?

BY MR. LIMAN:

Q Is there another Hawk that is superior to the I-Hawk?

A No.

Q So that the I-Hawk is the top of the line?

A That is it. Now, the I-Hawk --

MR. NIELDS: Are there several versions of the I-Hawk?

THE WITNESS: Yes, but it's only for maintainability and sustainability in a little circuit board.

BY MR. LIMAN:

Q But they're low altitude?

A Only.

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Q And so in terms of what the Iranians were looking --

MR. NIELDS: In terms of 40,000 feet we're talking.

THE WITNESS: Under theoretical setup -- but there's a practical matter --

MR. LIMAN: But in terms of what the Iranians were looking for, the I-Hawk wouldn't have done it?

THE WITNESS: That's correct. And I think I explained this to you.

MR. NIELDS: Yeah, you did. But you also explained that Ghorbanifar was asking for more Hawks --

THE WITNESS: Well, I told you that was weird.

MR. NIELDS: -- that came back to London.

THE WITNESS: That's correct. And I told you that that was weird because already they had a load of I-Hawks sitting on the ramp which were rejected. They didn't need I-Hawks. But Ghorbanifar loved these "hogs," as he called them, because they were big bucks.

Ghorbanifar never talked to me about anything other than high-tech kinds of things is your question.

MR. LIMAN: Talking about the Phoenixes.

THE WITNESS: Phoenixes, Harpoons, ~~Hogs~~ HAWKS, Tows. But he never talked to me about trucks, medicines, ammunition.

MR. GREEN: I've been listening to the line of inquiry you've been over a number of times -- you've expressed to me on occasion that you're confused about something. What is it that you perceive in this transaction that either General Secord doesn't perceive or is testifying in contradiction to that we can -- that might refresh him -- that might refresh. There's something lurking here that you're trying to get out. I mean, could we just confront it and see if it either refreshes him, or stimulates him, rather than --

MR. NIELDS: I think that's what I've been doing. And I'm not a witness, and ought not to be, and --

MR. GREEN: No, I know that, but --

MR. NIELDS: -- not appropriate to be put on the record.

MR. LIMAN: I think that what Mr. Green is asking is whether or not we have a document that contradicts Mr. Secord's testimony on this that we're withholding.

MR. GREEN: No, --

MR. NIELDS: To answer his question, the answer is our documents reflect that basic Hawks were shipped and that the Iranians were angered because they were basic Hawks and they wanted I-Hawks.

THE WITNESS: I believe that's incorrect.

MR. NIELDS: And you have said, and there is other evidence, that the Iranians had thought that the Hawks they were getting, whatever kind of Hawks they were, would shoot down high-flying airplanes --

THE WITNESS: Right.

MR. NIELDS: -- and were disappointed because they wouldn't.

That explanation, I will say for the record, is under serious question at this point in time. It does not square with your own testimony. I'm not attacking your credibility. I'm just, in terms of explaining what happened, it's supported by what you say the Israelis told you and contradicted by what Ghorbanifar did later, which is ask for more Hawks. And it's also contradicted by North's prof message of December the 4th in which he says the Iranians are asking for more Hawks, and he plans to ship them 50. And it's contradicted by a North memo which says that the Iranians were angry because they got the basic Hawks when they had expected Improved Hawks.

THE WITNESS: What date was that?

MR. NIELDS: December ~~Decembe~~r 9th. And --

THE WITNESS: It's wrong.

MR. NIELDS: And there is serious question, based on the information we have, whether it was the Iranians --

THE WITNESS: I can only tell you what I believe --

MR. NIELDS: I do want to put this on the record, whether it was the Iranians --

THE WITNESS: That's interesting.

MR. NIELDS: -- who called off the Hawk shipments or whether it was done at our side. And that is not only -- not only is there serious evidentiary question whether that fact happened. In other words, whether it was the Iranians ~~wha~~ who called it off rather than us. But it is a very important question to our investigation.

THE WITNESS: No question about that. But I told you exactly --

MR. NIELDS: No question about which?

THE WITNESS: That it's important.

MR. NIELDS: Yes.

THE WITNESS: But I believe that the recital you just ran through with respect to basic Hawks is fundamentally incorrect. And I believe I'll be proved to be right in the end. It's easy to prove.

MR. NIELDS: Do you know when --

How is it easy to prove?

THE WITNESS: Ask the Israelis.

MR. NIELDS: Do you know when the first I-Hawk was manufactured?

THE WITNESS: Oh my God, now you're asking me for something that goes way back.

MR. NIELDS: Let me put it to you this way, if the Hawks that --

THE WITNESS: Probably '74, maybe?

MR. NIELDS: So if the Hawks that were shipped --

THE WITNESS: '73, maybe.

MR. NIELDS: -- were '75 Hawks, they might be Improved Hawks.

THE WITNESS: They would be. In '75, clearly they would be I-Hawks.

MR. NIELDS: But there are several --

THE WITNESS: You're talking about date of manufacture?

MR. NIELDS: Yes.

THE WITNESS: Yeah, okay.

MR. NIELDS: But I take it there are several -- there isn't just one improvement on the Hawk, but several versions have been improved on.

THE WITNESS: No, but -- after, immediately the first I-Hawks got in the field they came out with what they called PIP-I, P-I-P I, Product Improvement Program I. And then they came out with PIP-II.

MR. NIELDS: Is that Product Improvement Program a package?

THE WITNESS: I don't know, package maybe. But these are just small sustainability, maintainability improvements.

MR. LIMAN: Finished?

MR. NIELDS: I have one more question. I think he's in the middle of an answer but I --

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THE WITNESS: No, I've finished.

MR. NIELDS: Okay.

My last question is whether you will consent or obtain -- either consent to the provision or yourself obtain or produce to the committee records in the possession of CSF or Zucker that relate to any account that may be maintained there in your name?

MR. LIMAN: I think he gave us a waiver of that which would call for that one. Take a look at the waiver.

MR. GREEN: Whatever the waiver does, the waiver does. But I'll tell you what we're doing is independently without going into it, I'm trying to get those records.

MR. NIELDS: And you have no objection to their production?

MR. GREEN: Well, it depends on how we handle it. I don't think we have any objection and we have made a request -- I'm not going into further detail -- just say that I am trying to get any documentary corroboration of an account in Richard V. Secord's name.

MR. LIMAN: Mr. Green --

MR. GREEN: Yes.

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MR. LIMAN: -- would you consent to modifying the directive so that where it says bank or trust company, you would include fiduciary and where it refers to Credit Suisse by name it would include CSF? That would make this perfectly

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clear.

MR. GREEN: We've just got to go back to square one. I am trying to get -- I probably have a better chance in getting the records, you know, that you want, than even you do. And I am making a diligent effort to get the records.

MR. LIMAN: I would request that you consider a modification of this language. I think that's in General Secord's --

MR. GREEN: Why don't you send me a letter --

MR. LIMAN: I will redraft this to change that language and show you what the language would be.

MR. GREEN: All right.

MR. LIMAN: Thank you.

MR. NIELDS: Mr. Secord, I thank you for coming in. I apologize that it took considerably longer than I originally anticipated.

THE WITNESS: I would like to address then --

MR. GREEN: In summary fashion or --

THE WITNESS: No, I'd like to address it off the record.

MR. NIELDS: Okay. Off the record.

(Whereupon, at 6:35 p.m., the deposition was adjourned.)

pg end

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10 Jun 87

DEPOSITION
EXHIBIT
RVS-1
e.k. 6/10/87

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Stanford Technology Trading Group International, Inc.
8615 Westwood Center Drive, Suite 202
McLean, VA 22180
June 10, 1987

The Honorable Daniel K. Inouye
Chairman, United States Senate Select
Committee on Secret Military Assistance
to Iran and the Nicaraguan Opposition
901 Hart Senate Office Building
Washington, DC 20510

Dear Senator Inouye:

During my testimony before the Committee, I advised that I would consider executing the consent directive form pertaining to foreign bank accounts in connection with which I may have signature authority. My inclination to do so stems from the public pressure which has been exerted on me to sign the directive. It is apparent that this pressure will not cease unless and until I deliver the document. After further consultation with counsel, I have concluded that I have no alternative but to sign the consent directive; and an executed copy is enclosed herewith.

Sincerely yours,

Richard V. Secord

Richard V. Secord

enclosure

5713

~~Partially Declassified~~/Released on 3 FEB 88
~~under provisions of E.O. 12356~~
by K. Johnson, National Security Council

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CONSENT DIRECTIVE

I, Richard V. Secord, of the State of Virginia, in the United States of America, do hereby direct any bank or trust company at which I have, or at which there exists, a bank account of any kind upon which I am authorized to draw, specifically including, but not limited to, Credit Suisse in Geneva, Switzerland, and its officers, employees, and agents, to disclose information and deliver copies of all documents of every nature in your possession or control which relate to the said bank accounts to any attorney of the United States Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition, and to give evidence relevant thereto in any proceeding of the said United States Senate Select Committee, specifically including, but not limited to, any informal interview or any deposition or any hearing conducted by or under the authority of the said United States Senate Select Committee, and this shall be irrevocable authority for so doing. This direction is intended to apply, without limitation, to the Federal Banking Law of 1934 of Switzerland, as amended, and the Confidential Relationships (Preservation) Law of the Cayman Islands, and shall be construed as consent with respect thereto as the same shall apply to any of the bank accounts for which I may be a relevant principal, or authorized signatory, and shall include, without limitation, any accounts of any entity listed in Appendix A attached hereto or any such name followed by the designation Inc., Corp., Co., Ltd., or SA. This consent, however, shall not be construed as an admission that I am a principal of, or have any authority with respect to, any of the listed entities or their records or accounts.

Signature

Dated: 10th Jun[illegible]987

Sworn to before me this 10th day of June, 1987

Notary Public

My Commission Expires
April 14, 1989

~~Partially Declassified~~/Released on 3 Feb 88
~~under provisions of E.O. 12356~~
by K. Johnson, National Security Council

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second page which gives consent for disclosure of certain foreign bank records was freely and voluntarily given by you?

THE WITNESS: Yes.

MR. LIMAN: Mr. Secord, in your cover letter you say that your inclination to sign it "stems from the public pressure which has been exerted on me to sign the directive."

THE WITNESS: Yeah, I think as a matter of principle these kinds of directives are probably unconstitutional, that I feel the pressure on me personally and I am no longer going to stand on principle.

MR. LIMAN: Well, it was principle that led you not to sign it, I take it, originally?

THE WITNESS: It was the advice of counsel.

MR. LIMAN: But you are signing this without any reservation whatsoever; am I correct?

THE WITNESS: I have reservations, as I've indicated in the cover letter, but I've signed it.

MR. LIMAN: Well, if you are asked by a Swiss authority whether this has been signed voluntarily, without any compulsion, and without any reservation on your part, are you able to say that the answer to that is yes?

(The witness witness conferred with counsel.)

THE WITNESS: Okay, well, to be perfect honest about it, candid, it is a mixed bag. I have been held up to ridicule for not having signed it, so I decided to sign it. And to be

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technical about it, it was done, obviously, of my own free will. No one's twisted my arm to do it. I simply describe to you in the cover letter the circumstances under which I signed it.

But if a Swiss authority asks me did I sign it willfully, I'll say yes, I signed it willfully.

MR. NIELDS: Willingly?

THE WITNESS: Better word "willingly," okay. Willingly.

MR. NIELDS: Mr. Secord --

Do you have anything else you want to put in the record now, Mr. Green?

MR. GREEN: Yeah, we do. We want to -- ordinarily in a deposition both sides are permitted to interrogate. I don't know if that's necessary here, but we have a number of points that we want to address in this deposition as adjoinders to what we feel are erroneous implications and information in the record, because we want to use this opportunity to try to set the record straight on as many matters as we can.

In connection with that we have prepared an arms sales Arms Sales Profit Analysis of the various sales. Of course, Mr. Secord has a lot to say about these transactions and the way some of the records were used with a number of the witnesses: records which, of course, albeit alleged to be Mr.

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ARMS SALES PROFIT ANALYSIS

PREPARED BY RICHARD V. SECORD

1985-1986

Phase I (Airlift February 1985; Sealift April 1985)

Sell $2,346,175

Costs 1,634,901

Profit 711,274 or 30.3% gross (43.5% of cost)

Phase II (Airlift March 1985)

Sell $1,235,596

Costs 924,756

Profit 310,840 or 25.1% gross (33.6% of cost)

Phase III (Sealift June 1985)

Sell $6,407,512

Costs 5,190,512

Profit 1,217,000 or 18.99% gross (23.45% of cost)

Phase IV (Airlift November 1985)

Sell $2,255,200

Costs 2,003,200

Profit 252,000 or 11% gross (12.78% of cost)

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Phase V (Airlift March 1986)

Sell $504,140

Costs 354,140

Profit 150,000 or 29.7% gross (42.3% of cost)

Phase VI (Airlift April 1986)

Sell $441,640

Costs 353,337

Profit 88,303 or 19.99% gross (25% of cost)

Phase VII (2 airlifts May 1986)

Sell $938,635

Costs 637,467

Profit 301,168 or 32% gross (47.2% of cost)

GRAND TOTALS

Sell $14,128,898

Costs 11,101,313

Profit 3,027,585 or 21% gross (27.3% of cost)

Note: Sealift July/August 1986 aborted

Costs about $2,400,000

Sold CIA 1,500,000

Returned to Enterprise - 1,200,000 (300,000 brokers fee to DEFEX)

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TOTALS OF TRANSACTIONS PRICED EXCLUSIVELY BY SECORD

Sell	$11,782,723
Costs	9,466,412
Profit	2,316,311 or 19.65% gross (24.5% of cost)

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4201001 ****** KOREL ASSETS CASH US$

C		NAME & DESCRIPTION		DOC NO	CONTRA		DEBIT	CREDIT	BALA
8	7	ON CALL	260000+	7209	*5606001		260 000.00 ✓		260 0
[redacted]									262 8
26	7	PURCHASE	500+	3108	5900001		29 750.00 ✓		
26	7	PURCHASE	50000+	3108	5900001		56 500.00 ✓		
26	7	ACCRUED INT	50000+	3108	5900001		7 520.55 ✓		
26	7	PURCHASE	50000+	3108	5900001		53 500.00 ✓		
26	7	ACCRUED INT	50000+	3108	5900001		6 760.27 ✓		
26	7	SFR/US$ AT 2.3470		7120	890001	234 700.00+	100 000.00 ✓		8 7
7	8	REDEMPTION SERFID		7155	5900001		8 042.24 ✓		
7	8	INT. CALL JULY		7209	*5606001			1 191.67 ✓	1 9
9	8	OFF CALL	80000-	7334	*5606001			80 000.00 ✓	81 9
15	8	ON CALL	80000+	7334	*5606001		80 000.00 ✓		1 9
28	8	OFF CALL	120000-	7334	*5606001			120 000.00 ✓	121 9
5	9	OFF CALL	40000-	7404	*5606001			40 000.00 ✓	161 9
6	9	PURCHASE	100000+	7356	*5627001		137 000.00 ✓		
6	9	ACCRUED INT.	100000+	7356	*5627001		5 347.22 ✓		
6	9	OFF CALL	100000-	7404	5606001			100 000.00 ✓	149 5
7	9	INT. CALL		7342	*5606001			1 406.30 ✓	150 9
10	9	DIVIDEND	100-	8039	*5614001			38.50 ✓	151 0
16	9	ON CALL	100000+	7404	*5606001		100 000.00 ✓		51 0
27	9	ON CALL	40000+	7404	*5606001		40 000.00 ✓		11 0
1	10	CHQ TO RICHARD V. SECORD		8023	*		52 600.00		
1	10	CREDIT INTEREST	50000-	8039	5614001			7 500.00 ✓	

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